

# ***Special Report***

## ***Arkansas Legislative Audit***

### **Prosecuting Attorneys**

#### **Disposition of Matters Referred by the Legislative Joint Auditing Committee**

For the period January 1, 2019 through December 31, 2019



## **INTRODUCTION**

This report is issued to provide the Legislative Joint Auditing Committee (LJAC) a summary of the disposition of matters referred to the Prosecuting Attorneys of the State's 28 judicial districts. A map of judicial districts is provided in **Exhibit I on page 5**.

## **BACKGROUND**

### **Arkansas Code Requirements**

Ark. Code Ann. § 10-4-419, provided in **Appendix A**, requires the Legislative Auditor to notify the appropriate Prosecuting Attorney of transactions reflecting apparent unauthorized disbursements or unaccounted for funds or property by a public official or employee. The Legislative Auditor also notifies and cooperates with the appropriate Prosecuting Attorney on all matters that appear to involve a criminal offense. Furthermore, Ark. Code Ann. § 10-4-419 requires the Legislative Auditor to report findings related to a Prosecuting Attorney's Office to the Attorney General for review and appropriate action.

Ark. Code Ann. § 10-4-419 also directs Prosecuting Attorneys to report to LJAC by June 30 of each year the status or disposition of any matter referred to them by the Legislative Auditor or LJAC.

Ark. Code Ann. § 21-2-708 directs the Legislative Auditor, with LJAC approval, to notify the Arkansas Governmental Bonding Board (Bond Board) of audit reports reflecting apparent improper transactions for which a public official, officer, or employee may be liable. The Bond Board determines whether a loss is covered by the Arkansas Self-Insured Fidelity Bond Program. As of January 1, 2012, entities are required to meet a \$2,500 deductible per occurrence before payment is made by the Bond Board. The Fidelity Bond Program coverage limit is \$300,000 per occurrence, effective July 1, 2015.

### **Memorandum of Understanding**

In response to LJAC's request to formalize interaction relating to "white collar crime" among Arkansas Legislative Audit (ALA), Arkansas State Police, and Prosecuting Attorneys, the parties agreed to a Memorandum of Understanding, approved by LJAC on July 14, 2006, and presented in **Appendix B**.

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Report ID: IRPA02820

Report Date: October 31, 2020



## OBJECTIVES

The objectives of this special report are as follows:

- Compile responses from each Prosecuting Attorney concerning all matters referred by the Legislative Auditor or LJAC.
- Present disposition information concisely for LJAC.

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## SCOPE AND METHODOLOGY

Disposition information submitted by Prosecuting Attorneys was compiled for the period January 1, 2019 through December 31, 2019. Matters referred to Prosecuting Attorneys *prior to* January 1, 2019, but unresolved as of October 31, 2019, are also included in this report.

Relevant Arkansas Code, state circuit and state district court orders, federal district court orders, and audit-related files were reviewed. In addition, payments from the Arkansas Fidelity Bond Trust Fund (Bond Trust Fund) are disclosed in this report, if applicable.

The methodology used in this review was developed uniquely to address the stated objectives; therefore, this review was more limited in scope than an audit or attestation engagement performed in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

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## MATTERS REFERRED TO PROSECUTING ATTORNEYS

The audit reports referred to the State's Prosecuting Attorneys are arranged by judicial district (see table of contents provided in **Exhibit II on page 5**). Individual matters are briefly summarized; the status or disposition provided by the applicable Prosecuting Attorney and any Bond Trust Fund payments are also included. The Legislative Auditor or LJAC referred 238 matters to the State's Prosecuting Attorneys during the period January 1, 2019 through December 31, 2019. An additional 56 matters included in this report were referred but not resolved prior to the previous special report date of October 31, 2019.

### Case Results

A summary of the disposition of matters referred to Prosecuting Attorneys is presented in **Exhibit III on pages 6 and 7**. This exhibit includes matters referred but unresolved in previous years, as well as matters referred in calendar year 2019. In addition, **Exhibit III** classifies case results in the categories defined below, as determined by ALA staff based on disposition reports provided by the Prosecuting Attorneys:

- **Conviction:** Includes guilty, not guilty, and no contest pleas, as well as jury verdicts, that resulted in court-ordered sentencing.
- **Pending:** Charges were filed, but the case has not been adjudicated.
- **Acquitted/Dismissed:** Charges were filed; however, the defendant was acquitted, or charges were dismissed without penalty.
- **Prosecution declined:** Prosecuting Attorney chose to take no action.
- **Insufficient evidence:** Prosecuting Attorney indicated evidence was not sufficient to sustain a criminal case.
- **Other:** Includes ethical and conflict of interest matters, apparent violations of the "public purpose" doctrine, and issues reviewed by non-law enforcement agencies.

- **Under review:** Matter is currently being investigated by law enforcement or the appropriate Prosecuting Attorney.

Also provided in **Exhibit III** are the dollar amounts, if applicable, disclosed in audit findings of matters referred.

### **Court-Ordered Sentences Imposed**

Criminal charges were filed in 39 of 294 matters referred to a Prosecuting Attorney. 18 cases are pending in court; one case was dismissed; and the remaining 20 cases, in which a conviction was obtained and sentence imposed, are listed by judicial district in **Exhibit IV on page 8**. Information provided includes the following:

- Judicial district.
- Entity audited.
- Matter referred, including year of referral, type of matter (i.e., receipts over deposits, unauthorized disbursements, or improper transactions), and dollar amount.
- Position of employee or elected official against whom charges were filed.
- Plea of defendant.
- Court-ordered sentence.

The terms of a defendant's court-ordered sentence, also presented in **Exhibit IV**, include the following:

- Time, in months, of incarceration, probation, or suspended imposition of sentence.
- Hours of community service, where applicable.
- Fines, fees, court costs, restitution, and audit costs, where applicable.

Of the 20 cases in which a conviction was obtained, defendants entered pleas of no contest or guilty in 19 cases, and the courts found one defendant guilty. Of these cases, 17 were disposed of in state circuit courts, two were disposed of in state district courts, and one was disposed of in federal district court.

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## **MATTERS DISPOSED OF BY THE ATTORNEY GENERAL**

As required by Arkansas Code, the matter pertaining to the 23rd Judicial District Office of the Prosecuting Attorney was referred to the Attorney General. This matter is discussed on page 124.

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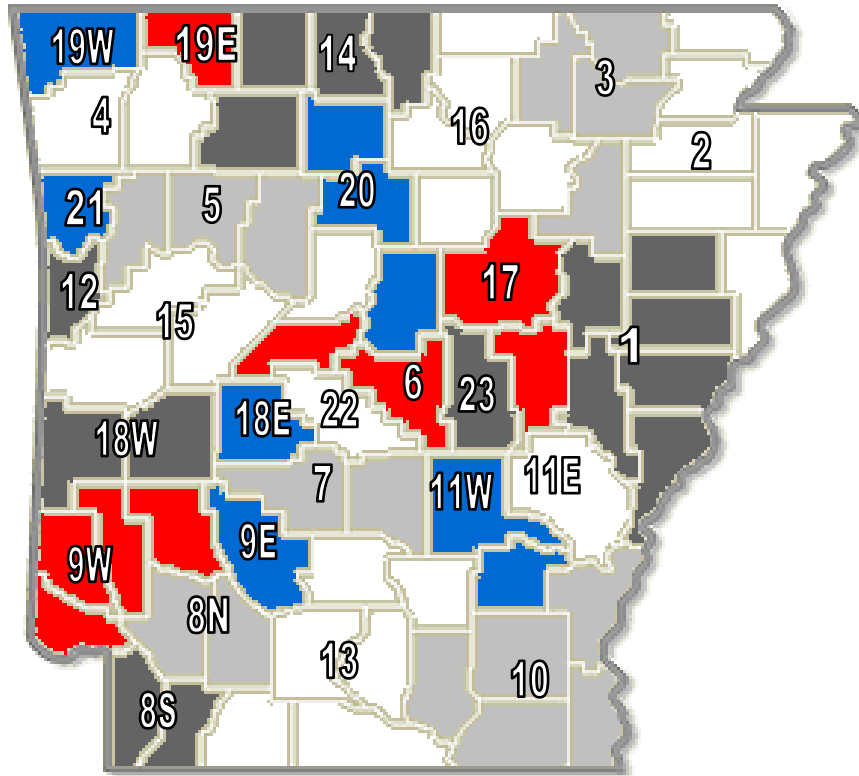
## **MATTERS REFERRED TO A SPECIAL APPOINTED PROSECUTING ATTORNEY**

In six instances, matters initially referred by LJAC to the appropriate Prosecuting Attorney were subsequently assigned to a Special Appointed Prosecuting Attorney because of conflicts of interest. Five matters, one each from the 3rd, 5th, 7th, 18th-East, and 19th-West Judicial Districts, respectively, were disposed of by a Special Prosecutor appointed by the Office of the Prosecutor Coordinator and are included in **Exhibit III**. Additionally, a trial is scheduled for January 2021 for one matter from the 4th Judicial District.

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## Exhibit I

### Arkansas Judicial Districts Counties Comprising Each District



Source: Arkansas Judicial Directory

## Exhibit II

### Table of Contents

Judicial District	Page	Judicial District	Page
First	9	Twelfth	71
Second	21	Thirteenth	72
Third	37	Fourteenth	81
Fourth	39	Fifteenth	85
Fifth	43	Sixteenth	88
Sixth	47	Seventeenth	98
Seventh	54	Eighteenth - East	102
Eighth - North	55	Eighteenth - West	106
Eighth - South	57	Nineteenth - East	107
Ninth - East	59	Nineteenth - West	108
Ninth - West	60	Twentieth	113
Tenth	62	Twenty-first	118
Eleventh - East	66	Twenty-second	121
Eleventh - West	67	Twenty-third	123

**Exhibit III**

**Prosecuting Attorneys**  
**Summary of Disposition Reports of Matters Referred by Legislative Joint Auditing Committee**  
**For the Period January 1, 2019 through December 31, 2019**

Judicial District	Number of Matters Referred (Note 1)	Charges Filed (a+b+c)	Case Results			Charges Not Filed			Under Review (Note 4)
			Conviction a	Pending b	Acquitted/ Dismissed c	Prosecution Declined	Insufficient Evidence (Note 2)	Other (Note 3)	
<b>1st</b>	<b>34</b>	<b>4</b>	<b>2</b>	<b>2</b>			<b>16</b>	<b>5</b>	<b>9</b>
			\$474,046	\$6,828			\$193,714	\$33,276	\$54,417
<b>2nd</b>	<b>49</b>	<b>4</b>	<b>1</b>	<b>2</b>	<b>1</b>		<b>29</b>	<b>10</b>	<b>6</b>
			2,484	38,780	\$4,210		1,352,606	48,274	169,579
<b>3rd</b>	<b>5</b>	<b>3</b>	<b>3</b>				<b>2</b>		
			23,297				8,882		
<b>4th</b>	<b>5</b>	<b>2</b>		<b>2</b>			<b>2</b>		<b>1</b>
				162,781			138,316		132,079
<b>5th</b>	<b>8</b>	<b>0</b>				<b>1</b>	<b>4</b>	<b>3</b>	
						\$628	16,320	58,186	
<b>6th</b>	<b>23</b>	<b>3</b>	<b>2</b>	<b>1</b>			<b>11</b>	<b>8</b>	<b>1</b>
			172,007	248,530			65,498	49,042	165,935
<b>7th</b>	<b>2</b>	<b>0</b>					<b>2</b>		
							4,216		
<b>8th N</b>	<b>4</b>	<b>0</b>					<b>3</b>	<b>1</b>	
							55,515	5,000	
<b>8th S</b>	<b>4</b>	<b>1</b>		<b>1</b>			<b>3</b>		
				9,285			46,061		
<b>9th E</b>	<b>1</b>	<b>0</b>					<b>1</b>		
							4,392		
<b>9th W</b>	<b>5</b>	<b>0</b>					<b>4</b>		<b>1</b>
							24,675		5,350
<b>10th</b>	<b>14</b>	<b>1</b>	<b>1</b>				<b>7</b>	<b>5</b>	<b>1</b>
			9,519				41,095	49,098	17,183
<b>11th E</b>	<b>3</b>	<b>0</b>						<b>2</b>	<b>1</b>
								5,413	4,706
<b>11th W</b>	<b>13</b>	<b>3</b>		<b>3</b>			<b>6</b>	<b>4</b>	
				69,781			119,477	41,347	
<b>12th</b>	<b>1</b>	<b>0</b>					<b>1</b>		
							815		
<b>13th</b>	<b>26</b>	<b>2</b>	<b>2</b>				<b>8</b>	<b>12</b>	<b>4</b>
			41,795				40,063	45,180	63,918
<b>14th</b>	<b>13</b>	<b>4</b>	<b>3</b>	<b>1</b>			<b>3</b>	<b>6</b>	
			33,210	0			38,220	126,865	
<b>15th</b>	<b>5</b>	<b>1</b>		<b>1</b>			<b>4</b>		
				7,822			7,775		
<b>16th</b>	<b>12</b>	<b>2</b>	<b>1</b>	<b>1</b>		<b>1</b>	<b>4</b>	<b>2</b>	<b>3</b>
			0	14,611		7,500	8,088	39,358	10,332
<b>17th</b>	<b>12</b>	<b>2</b>	<b>2</b>				<b>5</b>	<b>5</b>	
			152,318				10,253	40,284	

**Exhibit III (continued)**

Prosecuting Attorneys Summary of Disposition Reports of Matters Referred by Legislative Joint Auditing Committee For the Period January 1, 2019 through December 31, 2019									
Judicial District	Number of Matters Referred (Note 1)	Charges Filed (a+b+c)	Case Results			Charges Not Filed			Under Review (Note 4)
			Conviction a	Pending b	Acquitted/Dismissed c	Prosecution Declined	Insufficient Evidence (Note 2)	Other (Note 3)	
18th E	4	1	1				3		
			\$1,933				\$48,960		
18th W	3	0					2	1	
							19,966	\$665	
19th E	1	0						1	
								1,719	
19th W	17	2		2			14	1	
				\$369,868			108,432	1,000	
20th	12	2		2			3	6	1
				97,043			202,864	8,737	\$1,260
21st	8	0				1	7		
						\$3,988	73,698		
22nd	3	2	2					1	
			327,531					1,400	
23rd	6	0					3	2	1
							14,916	1,842	35,671
Office of the Attorney Gen.	1						1		
							4,470		
Judicial District	Number of Matters Referred (Note 1)	Charges Filed (a+b+c)	Case Results			Charges Not Filed			Under Review (Note 4)
			Conviction a	Pending b	Acquitted/Dismissed c	Prosecution Declined	Insufficient Evidence (Note 2)	Other (Note 3)	
<b>Totals</b>	<b>294</b>	<b>39</b>	<b>20</b>	<b>18</b>	<b>1</b>	<b>3</b>	<b>148</b>	<b>75</b>	<b>29</b>
<b>Totals (Note 5)</b>	<b>\$6,146,198</b>	<b>\$2,267,679</b>	<b>\$1,238,140</b>	<b>\$1,025,329</b>	<b>\$4,210</b>	<b>\$12,116</b>	<b>\$2,649,287</b>	<b>\$556,686</b>	<b>\$660,430</b>
Note 1: Includes matters referred in previous years but unresolved as of the date of the previous disposition report. Note 2: Prosecuting Attorney indicated evidence was not sufficient to sustain a criminal case. In some instances, the Prosecuting Attorney indicated the matter may be civil in nature or should be handled administratively. Note 3: Includes ethical and conflict of interest matters, apparent violations of the "public purpose" doctrine, and matters reviewed by non-law enforcement agencies. Note 4: Matter is under review by a law enforcement agency or the appropriate Prosecuting Attorney. Note 5: Dollar amounts reflect, in most instances, referred amount, if applicable.									

**Source:** Prosecuting Attorneys' disposition reports

Exhibit IV

Prosecuting Attorneys  
Disposition of Certain Matters Referred by Legislative Auditor or Legislative Joint Auditing Committee  
Court-Ordered Sentences Imposed for Matters Included in this Report  
During the Period January 1, 2019 through October 31, 2020

Judicial District	Entity Audited	Matter Referred		Plea	Court-Ordered Sentence								
		Year	Type		Amount	Position	Incarceration (Terms of sentence in: months)	Probation	Suspended Imposition months	Community Service hours	Fines, Fees, & Costs (Note 1)	Restitution (Note 2)	Audit Costs
1st	City of Parkin	2015	ROD	\$ 2,380	District Court Clerk	Nnc							
1st	Manvell School District	2019	UD	471,666	Bookkeeper	Gn	48	24			(a)	100	471,666
2nd	Clay County	2019	IT	2,484	Jail Administrator	Gn		60				1,170	2,484
3rd	City of Walnut Ridge	2019	IT	757	Firefighter	Nc			12		(b)	430	757
3rd	Hoxie Waterworks and Sewer Fund	2019	ROD	20,253	Employee	Nnc		48				940	31,503
3rd	City of Cherokee Village	2019	IT	2,287	Employee	Gn		48			(b)	500	444
6th	Perry County	2019	IT	(Note 3)	Employee	Gn	12					20	0
6th	City of North Little Rock	2019	ROD	172,007	Employee	G		36				770	25,000
10th	City of Dermott	2019	UD	9,519	District Court Clerk	Gn		60				440	(Note 4)
13th	City of Kingsland	2019	UD	14,253	Recorder/Treasurer	Gn		60				721	12,000
13th	Camden Fairview School District	2019	ROD	27,542	Food Service Manager	Gn		120				670	27,542
14th	Alpena School District	2019	ROD	24,330	Administrative Assistant	Gn		60				2,490	24,330
14th	City of Bull Shoals	2019	UD	2,262	Recorder/Treasurer	Nnc		72				2,570	2,320
14th	City of Flippin	2019	UD	66,118	Police Chief	Gn		240				2,470	63,719
16th	Fulton County	2019	IT	(Note 3)	County Judge	J/VG						10,440	0
17th	Bald Knob Water and Sewer	2019	ROD	147,718	Water Clerk	Gn	72		36			530	0
17th	Town of Gamer	2018	IT	4,600	Recorder/Treasurer	Gn		60				1,490	4,433
18thE	Arkansas Dept. of Finance and Admin.	2019	ROD	1,933	Service Representative	Gn		60				1,940	1,217
22nd	Turtle Creek Fire Department	2019	IT/UD	261,406	Bookkeeper	Nnc		120				1,940	263,531
22nd	Turtle Creek Fire Department	2019	IT	66,125	Fire Chief	G	4	120				1,940	60,000

Note 1: Additional pertinent information:

(a) This matter was prosecuted in U.S. District Court.

(b) This matter was disposed of in State District Court.

Note 2: Includes court-ordered restitution and amounts of restitution paid as part of a negotiated plea.

Note 3: The matter referred did not include a dollar amount.

Note 4: According to the Circuit Court order signed September 28, 2020, the amount of restitution is to be determined.

Legend	
Type of Matter Referred	Plea
ROD: Receipts over deposits	G: Guilty
UD: Unauthorized disbursements	Gn: Negotiated plea of guilty
IT: Improper transactions	Nnc: Negotiated plea of nolo contendere
	Nc: No Contest
	JVG: Jury verdict of guilty

Source: Prosecuting Attorneys' disposition reports and state circuit, state district, and federal district court orders





# First Judicial District

*Cross, Lee, Monroe, Phillips, St. Francis, and Woodruff Counties*

Judicial District Population: 81,073  
Circuit Judges: 5

Todd Murray  
Prosecuting Attorney

## Matters Referred by Legislative Joint Auditing Committee

### Cross County

City of Parkin (Audit Period: 1/1/17 - 12/31/17):

#### 2019 Clerk/Treasurer

The Clerk/Treasurer issued herself three extra payroll checks in 2017 totaling \$3,807. On September 26, 2018, she signed a confession statement admitting that two of the three payroll checks (\$2,538) were salary overpayments. The Clerk/Treasurer indicated the third payroll check (\$1,269) was a reimbursement for City purchases she made with personal cash. She provided invoices totaling \$1,044 as documentation for the reimbursement; however, the vendor indicated to ALA staff that the Clerk/Treasurer had not made any cash payments for services provided. Also, City personnel indicated these invoices were not authorized to be paid. Therefore, ALA staff were unable to substantiate the claim that the third check was for a reimbursement of expenditures.

***Status per Prosecuting Attorney:*** The PA requested an investigation, which resulted in formal charges. Prenita White was charged with felony theft of property. This case is still pending.

City of Parkin (Audit Period: 1/1/13 - 12/31/13):

2015 \$2,380 in District Court receipts exceeded bank deposits. This difference was isolated to a September 5, 2013, deposit that included \$2,155 cash and a \$225 money order. Further investigation of the money order revealed it to be outstanding. Custodian of these funds was District Court Clerk Doris Jones.

***Status per Prosecuting Attorney:*** Jones entered a plea of nolo contendere to felony theft of property charges; was sentenced to 24 months unsupervised probation; and was ordered to pay fines and costs of \$1,150 and restitution of \$2,380.

Cross County (Audit Period: 1/1/17 - 12/31/17):

2019 The following deficiencies were noted concerning the Cross County Jail receipting procedures:

- All copies of voided receipts were not always included.
- Receipts were not always issued in the name of the violator and, therefore, could not be traced to a docket or a subsequent receipt in the Sheriff's or District Court Clerk offices.

Matters Referred by Legislative Joint Auditing Committee

Cross County (Continued)

Cross County (Audit Period: 1/1/17 - 12/31/17): (Continued)

- Cash funds taken upon incarceration were periodically returned to violators upon release without sufficient documentation.
- Management did not provide sufficient oversight and documentation for the process of transferring cash between custodians of jail collections.

As a result, jail receipts of \$2,528 could not be traced to a subsequent receipt in the Sheriff's office or District Court Clerk's office to be deposited. The custodian of funds could not be identified due to multiple employees having access to these funds.

**Status per Prosecuting Attorney:** *The PA does not intend to take any further action unless additional facts arise since it could not be determined if funds are missing or who took any missing funds.*

Lee County

Lee County (Audit Period: 1/1/18 - 12/31/18):

- 2019 The County identified, and ALA verified, payroll disbursement discrepancies. Specifically, salaries for three officials (County Clerk, Circuit Clerk, and Assessor) exceeded the 3% increase authorized by ordinance. Overpayments to each official totaled \$9,427 in salaries and benefits. The County Clerk and Assessor repaid the County prior to December 31, 2018. The amount overpaid to the Circuit Clerk, who is no longer a County official, remains outstanding.

**Status per Prosecuting Attorney:** *There is insufficient evidence to prove a criminal offense. A civil lawsuit was filed, which resulted in a settlement of the outstanding overpayment. No further action will be taken by the PA unless additional facts arise.*

Lee County School District (Audit Period: 7/1/17 - 6/30/18):

- 2019 During examination of payroll records, ALA noted the following discrepancy:
- The former Superintendent was paid \$2,722 more than the contracted amount.

The District did not implement proper controls related to employee health insurance benefits, such as reconciling billing statement details received from the Employee Benefits Division (EBD) to District records, which resulted in the following discrepancy during the period January 2016 through December 2018:

- The District overpaid \$28,962 to EBD on behalf of 66 employees as a result of errors the District made in not properly withholding health insurance premiums from the salaries of these employees.

## Matters Referred by Legislative Joint Auditing Committee

### Lee County (Continued)

Lee County School District (Audit Period: 7/1/17 - 6/30/18) (Continued)

The District did not implement proper controls related to employee retirement benefits, such as reconciling Arkansas Teacher Retirement System (ATRS) reports to District records. Consequently, the District did not withhold the proper amount of required employee retirement contributions, resulting in a \$6,834 overpayment on behalf of 58 employees.

The District paid \$1,000 to an employee for catering services without obtaining Board approval, as required by Ark. Code Ann. § 6-24-107.

**Status per Prosecuting Attorney:** The PA inquired of the District and has knowledge that the State Board of Education took control of the District. No additional information has been provided to the PA concerning the referenced audit period; however, subsequent audits and an investigation remain under review.

Town of Haynes (Audit Period: 1/1/15 - 12/31/17):

#### 2018 Mayor and Recorder/Treasurer

ALA staff were unable to determine if the Mayor and the Recorder/Treasurer were paid correct salary amounts because the Council budget or minutes did not reflect the authorized salaries for these officials. In addition, the Town did not maintain payroll journals, have established pay periods, and accurately report these officials' salaries on Internal Revenue Service (IRS) Forms W-2. These discrepancies are noted below:

	2017		2016		2015	
	Mayor	Recorder/ Treasurer	Mayor	Recorder/ Treasurer	Mayor	Recorder/ Treasurer
Amount paid	\$ 6,000	\$ 4,620	\$ 7,500	\$ 5,775	\$ 5,000	\$ 3,850
Amount listed on IRS Form W-2	5,500	4,235	7,500	5,775	5,500	4,235
Number of payments	10		15		12	

**Status per Prosecuting Attorney:** The PA requested an investigation, and formal charges were filed. It was later determined that a material witness was unavailable for trial; however, the charges were resolved with restitution reported as paid, and the case was closed.

### Monroe County

City of Brinkley (Audit Period: 1/1/18 - 12/31/18):

- 2019 On December 17, 2018, an individual used the City's Advertising and Promotion bank information to process an unauthorized withdrawal totaling \$2,924. The entity personnel immediately notified the bank, and the funds were recovered from the bank.

Matters Referred by Legislative Joint Auditing Committee

Monroe County (Continued)

City of Brinkley (Audit Period: 1/1/18 - 12/31/18): (Continued)

**Status per Prosecuting Attorney:** The PA sent the Mayor a letter asking for additional information regarding measures taken to address the finding. The Mayor responded that the account the individual used to process an unauthorized check was closed, and a new account was opened. The funds were immediately recovered from the bank. The Mayor further reported that the City has implemented measures to minimize future risk. They also cooperated with the Arkansas Municipal League/Municipal Health Benefit Fund concerning their efforts to combat this widespread problem. After reviewing the audit and the City's response, the PA will take no further action unless additional facts arise.

City of Clarendon (Audit Period: 1/1/18 - 12/31/18):

2019 Mayor and Clerk/Treasurer

1. The City paid a total of \$21,438 for service charges, overdraft fees, late fees, interest and penalties from January 1, 2018 through March 31, 2019, in conflict with the "public purpose doctrine" discussed in Op. Att'y Gen. no. 91-410 and Ark. Const. art. 12, § 5. These charges resulted from the City not remitting tax withholdings, retirement benefits, child support deductions, and payments for utilities and other services timely.

A similar finding was issued in the 2016 report. It should be noted that the City Clerk entered into an agreement to repay the City \$3,041 for a portion of these charges. The City Clerk resigned on February 28, 2019, leaving a balance of \$2,416 due the City.

2. An individual used City bank information to process 38 unauthorized withdrawals totaling \$92,421 from December 4, 2018 through February 14, 2019. The City's discovery of these withdrawals was delayed because bank accounts were not reconciled for several months. As a result, the City was unable to recover the funds from the bank.
3. The City Clerk and Fire Chief's daughter received full benefits and was paid \$547 plus a \$100 incentive to serve as a City firefighter from January 1, 2018 through March 31, 2019; however, her permanent residence was outside the County, which appears to conflict with City policy. Due to lack of documentation, ALA staff were unable to determine if she attended regular fire meetings and responded to fire alarms, as required.

**Status per Prosecuting Attorney:** The Mayor responded that the fraudulent banking transactions were reported to law enforcement, but there have been no new developments as to the identity of the perpetrator. The City official, whose failure to follow established procedures resulted in fund losses, subsequently resigned. The City believes she was negligent; however, no proof of criminal intent on the part of the City official has been submitted or received. The City further reported that bills are now being paid timely, and online banking and timely reconciliation of all accounts will reduce the risk of fraud and future loss of funds. The PA does not intend to take any further action unless additional facts arise.

**Matters Referred by Legislative Joint Auditing Committee**

**Monroe County (Continued)**

Monroe County (Audit Period: 1/1/17 - 12/31/17):

2018 County Judge/Sheriff

ALA review revealed the following questionable events related to a purchase of a boat, motor, and trailer for \$10,500 by the Sheriff's Department:

- On May 11, 2017, the Sheriff issued a memo stating the Department was purchasing a boat for emergency use and requesting proper appropriation of funds. Two documents were on file to support this purchase: (a) a bill of sale, labeled as an invoice and also dated May 11, that neither the Sheriff nor vendor signed and (b) a separate, generic invoice dated June 11.
- Invoices indicate that these items were purchased from a non-marine vendor in Little Rock; however, a review of Department of Finance and Administration records revealed that the title for these items was in the name of the Sheriff's Chief Deputy at the time of purchase. It appears this transaction was executed with a vendor to allow the County to circumvent the requirement to obtain an authorizing ordinance to conduct business with an employee, found in Ark. Code Ann. § 14-14-1202.

Subsequent to the exit conference on September 20, 2018, the Chief Deputy provided a bill of sale dated February 17, 2017, that transferred ownership from the Chief Deputy to the non-marine vendor but was signed only by the seller, who is the Chief Deputy. However, according to County assessment records, these items were not deleted from the Chief Deputy's personal property assessment records until seven months later, on September 28, 2017. As of report date, the County had not applied for a title for these items; therefore, they remain in the Chief Deputy's name.

Sheriff

1. The following financial transactions appear to conflict with Ark. Const. art. 12, § 5, which prohibits counties from loaning their credit to any individual:
  - \$2,936 in cell phone charges on the County's cellular phone account for three members of the Sheriff's family for January 2017 through June 2018. Additionally, the Sheriff's County cell number is listed on his personal business website as his contact information. The Sheriff reimbursed the County \$2,911 and, on September 4, 2018, stated that he and his family had moved their cell phone service to a private plan.
  - Food purchased by the Sheriff and Department employees through the County Jail food service vendor for apparent private use. For the four invoices tested, the Sheriff and Jail Administrator submitted to the County Clerk personal checks totaling \$180 and \$68, respectively, payable to the vendor. Additionally, food service records were not properly maintained, as required by Arkansas Criminal Detention Facility Standards Section 11-1002.

Matters Referred by Legislative Joint Auditing Committee

Monroe County (Continued)

Monroe County (Audit Period: 1/1/17 - 12/31/17): (Continued)

In addition, ALA staff noted a credit card that bears the Sheriff's name and title and uses the County's mailing address. The County files a claim for its portion of the monthly charges, and the Sheriff issues a personal check for his portion, both of which are mailed to the credit card company. The Sheriff made \$4,950 in personal charges from January 2017 through July 2018 that included airfare, airport parking, a cruise, fuel, car rental, lodging, and skincare products. The Sheriff paid \$4,572 of these charges, leaving a balance of \$378.

2. The Sheriff's Chief Jailer used the prisoner transport van to commute to and from work daily. This use was not included on the Jailer's IRS Form W-2, as required by IRS regulations. Additionally, on 16 days he was not working, the Jailer purchased fuel totaling \$758, for the van using the County's fuel credit card. Four of those purchases were made outside the County, and a business purpose could not be verified.
3. A Sheriff's Deputy was simultaneously employed by Clarendon High School as a School Resource Officer (SRO), without a formal agreement between the County and the School or approval by the Quorum Court. While employed in both positions, the Deputy placed fuel in the SRO vehicle using the County's fuel credit card and used various County vehicles for SRO business. Subsequent to employment termination by the County on August 11, 2017, the former Deputy:
  - Continued to sign affidavits of arrest.
  - Attended out-of-state K9 training, with the County paying for half of her lodging expense (\$476).
  - Used the County's credit card to purchase \$2,865 in fuel.

As of report date, the former Deputy still possessed a County vehicle, a County credit card, and the full authority of a Deputy, according to the Sheriff.

**Status per Prosecuting Attorney:** *A State Police investigation determined there was poor record keeping, but the PA believes there is insufficient evidence of criminal activity. This matter is considered closed.*

Phillips County

City of Helena-West Helena (Audit Period: 1/1/18 - 12/31/18):

2019 Mayor/City Clerk/City Treasurer

ALA staff noted the following salary overpayments:

- The City paid the Mayor \$7,000 more than the amount approved by the City Council due to duplicate vehicle allowance payments. The full amount of overpayment was returned to the City on June 4, 2019.
- The City paid a Fireman \$3,000 more than the amount approved by the City Council due to a bank error. The City Treasurer knew of the error and did not contact the bank for correction. The full amount of overpayment was returned to the City on August 7, 2019.



Matters Referred by Legislative Joint Auditing Committee

Phillips County (Continued)

City of Helena-West Helena (Audit Period: 1/1/18 - 12/31/18): (Continued)

**Status per Prosecuting Attorney:** *The Mayor responded that he has implemented changes to avoid salary overpayments, including a review process to check for irregularities or errors prior to checks being printed. The City will also cross reference payroll amounts to the budget to identify possible overpayments. As previously reported, the full amount of the overpayments was returned to the City.*

Mayor/City Clerk/District Court Judge/District Court Clerk

Employees in the Administrative Department and the District Court Clerk received full-time salary and benefits; however, timesheets did not reflect 80 hours worked each pay period, in noncompliance with the City's employee handbook which states that a standard workweek shall consist of 40 hours per week within a seven-day period.

District Court employees earned overtime for working during lunch breaks, although city policy indicates employees are not to work during meal breaks without proper approval of their immediate supervisor; documentation indicating prior approval was not provided. A similar finding was issued in the prior report.

**Status per Prosecuting Attorney:** *The Mayor further reported his efforts to make changes within the District Court Office and action taken by the City Council to clarify the status of District Court employees. The City provided notice to the District Court Judge concerning the issues raised in the audit, along with copies of audits for the past five years, and requested that the District Judge review the audits and take appropriate steps to correct the issues. The PA does not intend to take any further action on these facts alone.*

City of Helena-West Helena (Audit Period: 1/1/17 - 12/31/17):

2018 Mayor/District Court Clerk

Review of District Court receipts and deposits for the period January 1, 2017 through May 11, 2018, revealed the following:

- Receipts exceeded deposits by \$2,568 due to 17 manual receipts that were apparently not deposited. Of the 17 undeposited receipts, 14 were issued by an individual who serves as Court Officer, and 3 were issued by District Court office staff.
- Manual receipts were not entered in the computer system timely, and numerous manual receipts were not entered in the computer system at all.
- Incorrect amounts were entered in the computer system for several manual receipts.
- Receipts were not always deposited timely, as required by Ark. Code Ann. § 16-10-209.

Matters Referred by Legislative Joint Auditing Committee

Phillips County (Continued)

City of Helena-West Helena (Audit Period: 1/1/17 - 12/31/17): (Continued)

**Status per Prosecuting Attorney:** The PA requested an investigation, and ALA personnel reexamined the audit findings to determine if any or all of the suspected missing funds had eventually been deposited. ALA staff concluded that of the 17 receipts in question, 6 had been deposited, and an additional 3 were possibly deposited. ALA staff also stated that, due to poor record keeping, they could not determine if the remaining 8 receipts totaling \$900 were or were not deposited at some point. There is insufficient evidence to charge anyone in connection with this matter. The PA will take no further action unless additional facts arise.

City of Marvell (Audit Period: 1/1/14 - 12/31/15):

2017 Mayor and Police Chief

The City discovered, and ALA verified, unauthorized fuel purchases charged to a city credit card. These unauthorized purchases, made during the period July 3, 2016 through August 1, 2016, consisted of 1,538 gallons of fuel costing \$3,021. The Police Chief indicated that a credit card, with the personal identification number (PIN) attached, was lost in April or May 2016 but was never cancelled, so the responsible party may not be a city employee. In addition, the Mayor indicated that surveillance cameras were not in use at the business where these unauthorized purchases were made. As a result, ALA staff were unable to determine responsibility for these charges. As soon as the Mayor became aware of the problem, the credit card was cancelled, and ALA and Arkansas State Police were notified.

**Status per Prosecuting Attorney:** Subsequent to a State Police investigation, the suspect was formally charged but is a fugitive at this time. This remains an open case.

Marvell School District (Audit Period: 7/1/17 - 6/30/18):

2019 Our comparison of bank statements obtained from the financial institution used by the District to bank statements on file at the District revealed the Bookkeeper/Audit Compliance Officer issued 90 unauthorized checks to herself totaling \$471,666 for the period July 1, 2014 through December 31, 2018. This individual, whose employment was terminated on January 17, 2019, recorded the unauthorized disbursements as payments to a utility vendor in the accounting system, changed the payee on the checks from the name of the utility vendor to her name, endorsed these checks, and provided altered bank statement copies to us for audit purposes.

**Status per Prosecuting Attorney:** The PA requested an investigation, which resulted in formal charges being filed in both state and federal courts against April Poor. The state case is still pending regarding charges of felony theft of property and felony forgery. The defendant entered a guilty plea in federal court, was sentenced to 48 months in prison, and was ordered to pay an assessment fee of \$100 and \$471,666 in restitution.

Bond Trust Fund reimbursed losses totaling \$297,500.



Matters Referred by Legislative Joint Auditing Committee

Phillips County (Continued)

Phillips Community College of the University of Arkansas (Audit Period: 7/1/18 - 6/30/19):

- 2019 The University of Arkansas System Internal Audit Department (IAD) conducted an audit regarding an allegation of identity theft for the period June 1, 2018 through July 31, 2018. University management reported that an employee did not receive her payroll deposit of \$1,732 scheduled for June 28, 2018. The Director of Information Technology discovered that the employee's email account was compromised and accessed through an unauthorized VPN. Management notified the bank of the theft; however, the transaction had already been processed and could not be recalled. Management stated they believe this is an isolated incident and no other systems or emails were affected.

**Status per Prosecuting Attorney:** No information is included to suggest the origin of the identity theft or a possible suspect. After reviewing the matter, the PA does not intend to take any further action unless additional facts arise that could lead to the discovery of the perpetrator's identity.

St. Francis County

City of Forrest City (Audit Period: 1/1/18 - 12/31/18):

- 2019 The Advertising and Promotion Commission paid a total of \$9,407 to the following organizations, in violation of the "public purpose" doctrine and Ark. Const. art. 12, § 5, which states, in part, "No...city...shall...obtain or appropriate money for...any corporation, association, institution, or individual":

- 3,411 to the Forrest City Area Chamber of Commerce in excess of the contracted amount.
- \$5,996 on behalf of JB Sports for the Forrest City Baseball/Softball Showdown Tournament.

**Status per Prosecuting Attorney:** The Mayor responded that he found no misappropriation of funds occurred. The Mayor further reported that the A&P Commission has enacted corrective measures to ensure all payments are not only documented in their minutes but also by written service contracts, which was corroborated upon review of documentation supplied by the A&P Commission. The PA does not intend to take any further action unless additional facts arise.

Crowley's Ridge Technical Institute (Audit Period: 7/1/15 - 6/30/16):

- 2017 The Institute issued 13 checks totaling \$16,943 to a non-employee, who then cashed the checks, from its Student Organization (SO) account in February 2017. According to office personnel, due to a pending merger between the Institute and another entity, the Interim President requested these checks be issued and cashed so funds would be removed from the SO account and available for students to attend a conference. Also, donations of \$808 were not deposited in the SO account, resulting in \$17,751 of cash being undocumented as to its disposition. Of this amount, \$14,731 was returned to the Institute by the non-employee and redeposited into the SO account, \$1,497 was properly documented as used by professors and students attending a conference, and \$1,523 remains unaccounted for.

Matters Referred by Legislative Joint Auditing Committee

St. Francis County (Continued)

Crowley's Ridge Technical Institute (Audit Period: 7/1/15 - 6/30/16): (Continued)

**Status per Prosecuting Attorney:** *This case was investigated by the Forrest City Police Department. Insufficient facts have been developed or provided to the PA to warrant prosecution.*

East Arkansas Community College (Audit Period: 7/1/17 - 6/30/18):

2019 The College's internal controls failed to detect a fraudulent email, and payroll staff subsequently failed to follow proper procedures, resulting in a total loss of \$17,766. On October 23, 2018, the College's payroll office received an email that appeared to be from the College's President, requesting that her payroll direct deposit be changed to a different bank and that standard procedures be bypassed to ensure the change was effective for the next deposit on October 30. Subsequent changes made by payroll staff without proper authorization resulted in \$8,581 being deposited into an account that did not belong to the President. The President's November 30 paycheck of \$9,185 was also deposited in this account, after payroll staff failed to correct the President's bank information timely. The College filed a report with the FBI and contacted its insurance company, which indicated the loss was not insurable.

**Status per Prosecuting Attorney:** *College personnel reported that the perpetrator has not been identified by federal authorities. The payroll technician, whose failure to follow established payroll procedures resulted in electronic cash fund losses, received a written reprimand and five days of unpaid suspension and was placed on probationary employment status. She subsequently retired from employment.*

College personnel identified, and ALA staff verified, discrepancies in revenue received for the College's Commercial Driver's License (CDL) testing program. Prior to the merger of the Crowley's Ridge Technical Institute (CRTI) with the College on August 1, 2018, the CDL program was part of CRTI's curriculum, and the program was continued subsequent to the merger. Students' testing fees were included in their tuition, while non-students were charged a \$200 testing fee. Receipt documentation was not available for 58 of 108 tests administered in calendar year 2017 and 16 of 77 tests administered in calendar year 2018, resulting in unaccounted for revenue of \$11,600 and \$3,200, respectively.

**Status per Prosecuting Attorney:** *The individual who conducted the CDL tests is no longer employed by the college. The records containing contact information for student and non-student CDL applicants are incomplete, and the College cannot determine if the testing fee was paid by applicants to whom no receipt was issued.*

*The PA does not intend to take any further action unless additional facts arise.*

Matters Referred by Legislative Joint Auditing Committee

St. Francis County (Continued)

St. Francis County (Audit Period: 1/1/17 - 12/31/17):

2019 Sheriff

The County paid \$869 on behalf of the Sheriff for political promotional items, in conflict with Ark. Const. art. 12, § 5, and the “public purpose” doctrine. The Sheriff subsequently reimbursed the County \$869 on March 6, 2019.

**Status per Prosecuting Attorney:** *The County reported that the \$869 improperly paid was an unintended oversight that has been corrected. Therefore, the PA does not intend to take any further action unless additional facts arise.*

Woodruff County

Augusta School District (Audit Period: 7/1/17 - 6/01/18):

2019 The District used \$562 in operating funds to purchase 100 travel tumblers for a nonbusiness purpose, in conflict with Ark. Const. art. 14, § 2, as interpreted in Op. Att’y Gen. no. 91-411. A similar finding was reported in the previous audit.

**Status per Prosecuting Attorney:** *The District responded that tumblers were purchased as tokens of appreciation for District volunteers, donors, and parents involved in school activities. They do not see this transaction as an illegal purchase with District funds. However, the District further stated it will not purchase tumblers at any time in the future.*

The District conducted a review of purchases made by an employee from July 2013 through July 2017 after noticing discrepancies on invoices from various vendors. This review revealed \$1,001 was paid for parts and supplies for vehicles and equipment that the District did not own. The employee who submitted these invoices for payment was placed on administrative leave on October 4, 2017, and recommended for termination. A Board hearing held on January 11, 2018, resulted in the Board voting to continue the employee’s contract with a one-year probationary period.

**Status per Prosecuting Attorney:** *The Superintendent stated that the employee has completed the one-year probationary period, and there have been no further issues. The PA does not intend to take any further action unless additional facts arise.*

City of Cotton Plant (Audit Period: 1/1/17 - 12/31/18):

2019 On December 13, 2018, the City paid the former Police Chief (whose employment was terminated on July 15, 2016) for unused vacation leave from 2016 totaling \$969, in apparent conflict with City policy, which states that “no vacation pay will be allowed unless vacation is actually taken.” Although payroll taxes of \$141 appear to have been withheld, Internal Revenue Service Form W-2 was not provided for review, and documentation for this payment was not provided.

Matters Referred by Legislative Joint Auditing Committee

Woodruff County (Continued)

City of Cotton Plant (Audit Period: 1/1/17 - 12/31/18): (Continued)

**Status per Prosecuting Attorney:** The PA inquired of the new Mayor. From the available investigation, the payment was made to settle a contested civil dispute and avoid litigation regarding the former Police Chief's termination. The Mayor also provided information concerning corrective actions being taken by the City, and the PA offered assistance to education officials for implementing appropriate measures.

Cotton Plant Water Department (Audit Period: 6/1/18 - 6/30/18):

- 2019 The Department had an employee who served as the Department Secretary and whose duties included collection and deposit of water bill payments. However, during the review period of one month, while the Department Secretary was only working two days per week, another Department employee was involved in the collection and depositing process.

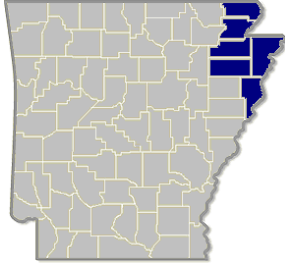
The Department's procedure was to stamp account billing stubs as paid when payments were received from customers and then enter these receipts into the computer system. ALA staff review of Department receipts and deposits revealed the following:

- 24 billing stubs collected totaling \$1,485 were not deposited in the Department's bank account.
- 7 customer accounts were credited for undeposited payments totaling \$418 as a result of information obtained from customers or other Department employees.
- Cash totaling \$334 maintained as a change fund was missing from the cash drawer.

According to Department personnel, the safe was left unlocked during the one-month period that the Department Secretary was only working part-time to allow the other employees to leave the cash drawer inside the safe.

In summary, \$2,237 was not accounted for properly. The Water Department employee who assisted the Department Secretary was placed on administrative leave with pay on August 14, 2018, and on December 11, 2018, the Council voted to move this employee to administrative leave status, without pay.

**Status per Prosecuting Attorney:** The PA inquired of the new Mayor. Due to poor record keeping by the previous administration, insufficient evidence is available to prove missing funds or criminal intent; therefore, the PA does not intend to take further action unless additional facts arise. However, the Mayor provided information concerning corrective action being taken by the City, and the PA offered assistance to education officials for implementing appropriate measures to avoid similar issues in the future.



## Second Judicial District

*Clay, Craighead, Crittenden, Greene, Mississippi, and Poinsett Counties*

Judicial District Population: 282,342  
Circuit Judges: 11

Scott Ellington  
Prosecuting Attorney

### Matters Referred by Legislative Joint Auditing Committee

#### Clay County

Clay County (Audit Period: 1/1/17 - 12/31/17):

##### 2019 County Judge

The Veterans Service Officer, who works 20 hours weekly, received insurance as well as annual and sick leave benefits, in violation of county policy which states that an employee must work 37.5 to 40 hours weekly to receive these benefits. The County intends to correct this issue starting January 1, 2019.

**Status per Prosecuting Attorney:** *The County has corrected this issue. This matter is considered resolved and closed.*

##### Sheriff

Jail Administrator Rose Hancock used the County's fuel card for personal purchases totaling \$1,184 during the period November 2016 through February 2017 and cashed a \$1,300 commissary check on February 17, 2017. Hancock's employment was terminated on February 28, 2017.

**Status per Prosecuting Attorney:** *On July 3, 2017, Hancock pled guilty to felony theft of property charges, was sentenced to 60 months probation, and was ordered to pay restitution of \$2,484 as well as \$1,170 in fines and court costs.*

#### Craighead County

City of Bay (Audit Period: 1/1/18 - 12/31/18):

2019 The City disbursed funds totaling \$1,797 in apparent conflict with the "public purpose" doctrine and Ark. Const. art. 12, § 5, as follows:

- \$790 for advances for travel and fire runs.
- \$366 for lodging for Volunteer Firemen's spouses.
- \$358 for lodging for a Council member's spouse.
- \$283 for an airline ticket for the Mayor's spouse.

During June 2019, the Volunteer Firemen, Council member, and Mayor reimbursed the City a total of \$924.

**Status per Prosecuting Attorney:** *The PA advised the Mayor to familiarize himself and others involved in disbursing funds with the "public purpose" doctrine. This matter is considered closed.*

**Matters Referred by Legislative Joint Auditing Committee**

**Craighead County (Continued)**

Craighead County (Audit Period: 1/1/18 - 12/31/18):

- 2019 Real estate search fees totaling \$99,608 collected by a remote access software vendor (Vendor) for the period May 1, 2010 through May 31, 2019, that were in the possession of the Vendor but under the control of the Circuit Clerk were not remitted to the County Treasurer, as required by Ark. Code Ann. § 26-39-201. On July 8, 2019, the Circuit Clerk received \$99,608 from the Vendor and included this amount in her monthly settlement remitted on August 9, 2019, to the County Treasurer.

In addition, the Circuit Clerk did not timely submit credit card charges for payment, resulting in the accrual of interest and late payment fees of \$2,234 over a four-year period. In November 2018, the Circuit Clerk requested that the Vendor provide \$4,352, which was remitted as "Visa Refund" to the County Treasurer. There is no reason for the Vendor to pay credit charges, including interest and late fees, on behalf of the Circuit Clerk.

**Status per Prosecuting Attorney:** *This matter remains under investigation.*

Nettleton School District (Audit Period: 7/1/17 - 6/30/18):

- 2019 The District used \$2,983 in general activity funds for nonbusiness purchases, in conflict with Ark. Const. art. 14, § 2, as interpreted in Op. Att'y Gen. no. 91-411:
- \$1,139 for cakes, arrangements, and cards for a retirement party.
  - \$961 for personalized tumblers for new staff members.
  - \$516 for Christmas cookies for staff.
  - \$206 for gifts for Board members.
  - \$161 for gift baskets.

**Status per Prosecuting Attorney:** *The PA advised the Superintendent to familiarize himself with the conflict mentioned in the audit report and to not make this a repeat finding. This matter is considered closed.*

**Crittenden County**

City of Earle (Audit Period: 1/1/17 - 12/31/17):

2018 District Court Clerk and Police Chief

Court funds totaling \$10,332 were not deposited during the period January 1, 2017 through May 11, 2018, due to noncompliance with Ark. Code Ann. § 16-10-209 and/or sound accounting practices:

- Receipts were not deposited daily or intact.
- Cash receipts and disbursements journals were not properly reconciled to bank statements.



Matters Referred by Legislative Joint Auditing Committee

Crittenden County (Continued)

City of Earle (Audit Period: 1/1/17 - 12/31/17): (Continued)

- The District Court Clerk did not prepare bank reconciliations.
- Numerous manual receipts were not retained and provided for accountant inspection.
- Credit card receipts were not reconciled with monthly bank deposits and credit card vendor reports.
- Cash receipts and disbursements journals were not properly posted.
- The ending bank balance was not properly identified with receipt numbers for cases not yet adjudicated and the payments made on all unpaid individual time accounts.

The custodian of funds could not be identified due to multiple employees having access to these funds. This matter is currently under investigation by Arkansas State Police.

**Status per Prosecuting Attorney:** The PA advised the new Mayor on good general practices, such as maintaining receipts, posting disbursements promptly, and regularly balancing checkbooks. This matter is considered closed.

City of Turrell (Audit Period: 1/1/09 - 12/31/10):

- 2012 \$4,210 in cash withdrawn from two bank accounts during 2010 and 2009 without proper supporting documentation. Although the signatures of both Mayor Franklin Lockhart and Bookkeeper LaSonya Harris appear on the forms authorizing these withdrawals, only Harris signed the back of the forms. Harris was custodian of all City bank accounts.

**Status per Prosecuting Attorney:** Criminal charges were filed against Harris; the case was later dismissed.

City of West Memphis (Audit Period: 1/1/18 - 12/31/18):

2019 Mayor and Treasurer/Finance Director

During our review of the City's Emergency Medical Services (EMS) Department, ALA staff noted the following deficiencies:

- Prenumbered receipts were not issued at the time funds were collected, in noncompliance with Ark. Code Ann. § 14-59-109.
- The City did not have an established listing of EMS fees, and fees charged for services were not consistent. The EMS Bookkeeper had sole control of billing and collections without an oversight or review process.
- Entries could be altered in the accounting software without an audit trail.

**Matters Referred by Legislative Joint Auditing Committee**

**Crittenden County (Continued)**

City of West Memphis (Audit Period: 1/1/18 - 12/31/18): (Continued)

- Of total fees assessed during 2018 for EMS services, 76% (\$609,046) were adjusted for errors, bad debt, deceased patients, or collection agency referrals, without supporting documentation. The City did not have a policy or approval process for collecting or writing off bad debts, and the accounts receivable balance for EMS collections as of December 31, 2018, was \$1,762,482.

It should be noted that revenues remitted to the Treasurer's office for EMS services decreased in 2018, 2017, and 2016 by \$59,667 (22%), \$84,376 (24%), and \$121,177 (25%), respectively.

**Mayor**

The City paid a total of \$18,275 to the following organizations, without a contract:

- \$14,755 to the West Memphis Chamber of Commerce.
- \$1,950 to the Main Street West Memphis.
- \$720 to the Rotary Club of West Memphis.
- \$500 to the Marion Chamber of Commerce.
- \$350 to the Memphis Convention and Visitors Bureau.

Additionally, the City made advance payments totaling \$2,700 to a vendor for Library website maintenance services. These payments are suspect under the "public purpose" doctrine and are in violation of Ark. Const. art. 12, § 5, which states, in part, "No...City...shall obtain or appropriate money for...any corporation, association, institution, or individual." A similar finding was noted in the prior report.

**Treasurer/Finance Director**

Without proper authorization, the City paid \$7,547 to an individual whose employment was terminated:

- \$3,656 for unused sick leave, in conflict with City policy, which states that payments for unused sick leave may be made when employment ends due to retirement or permanent disability.
- \$3,604 for paid administrative leave, which was not authorized by City policy.
- \$287 in undocumented salary.

***Status per Prosecuting Attorney:*** The current Mayor has taken steps to correct the first finding, and the PA advised the Mayor on the "public purpose" doctrine and the need to be aware of City policy. This matter is considered closed.



Matters Referred by Legislative Joint Auditing Committee

Crittenden County (Continued)

City of West Memphis (Audit Period: 1/1/17 - 12/31/17):

2019 Mayor

The City made payments totaling \$35,975 to the following organizations, without a contract, and to law enforcement officers, for advance payments, which are suspect under the "public purpose" doctrine and in violation of Ark. Const. art. 12, § 5, which states, in part, "No...City...shall obtain or appropriate money for...any corporation, association, institution or individual":

- \$33,445 to the West Memphis Chamber of Commerce.
- \$1,130 to the Rotary Club of West Memphis.
- \$1,050 to Police Department employees for travel advances.
- \$350 to the Memphis Convention and Visitors Bureau.

**Status per Prosecuting Attorney:** *This matter has been reviewed with the Mayor. No criminal intent is apparent; therefore, this matter is closed.*

Treasurer

Receipts issued from the Animal Shelter Department for \$1,075, collected between January 1, 2017 through July 9, 2018, could not be traced to a subsequent receipt in the City Clerk's office to be deposited due to the following deficiencies:

- Prenumbered receipts were not issued for all funds received at the earliest opportunity, in noncompliance with Ark. Code Ann. § 14-59-109.
- Receipts were not settled timely with the City Clerk to be deposited.
- Receipts were not issued in sequential order.
- Unissued/skipped receipts were not properly voided.

**Status per Prosecuting Attorney:** *No criminal intent is apparent; therefore, this matter is closed.*

Crittenden County (Audit Period: 1/1/16 - 12/31/16):

2018 Sheriff

Inmate Commissary receipts totaling \$19,280 were not deposited during the period January 1, 2016 through April 4, 2017. The Commissary Officer, whose employment was terminated on April 3, 2017, was custodian of these funds. This matter is currently under investigation by Arkansas State Police.

**Status per Prosecuting Attorney:** *Former Deputy Sheriff Randis Dennies was arrested and charged with theft of property. A plea hearing is scheduled for December 11, 2020.*

Matters Referred by Legislative Joint Auditing Committee

Crittenden County (Continued)

Earle School District (Audit Period: 7/1/17 - 6/30/18):

- 2019 The former Superintendent was paid \$4,248 more than the contracted amount, due to clerical errors. In addition, the Superintendent's contract was \$7,732 more than the approved salary schedule.

The former Business Manager who was also the payroll preparer, one licensed employee, and one classified employee were overpaid \$3,845, \$1,950, and \$650, respectively. In addition, the classified employee was also contracted for bus driving duties and paid \$6,503 that could not be traced to the approved salary schedule.

A similar finding was reported in the previous audit.

**Status per Prosecuting Attorney:** *The Department of Education is making corrections and attempting to recover overpayments. The findings were the results of poor recordkeeping and mismanagement. Criminal intent is lacking; therefore, this matter is closed.*

Earle School District (Audit Period: 7/1/16 - 6/30/17):

- 2018
1. The District purchased 29 gift cards valued at \$1,900 and incurred related fees of \$56 from the general fund. Additionally, the District used points accumulated on a District-owned credit card to purchase 12 gift cards valued at \$1,150. The District failed to maintain documentation related to recipients of the gift cards or the business purpose for which they were used.
  2. ALA examination of credit card transactions totaling \$63,243 indicated the following:
    - \$22,524 in purchases were not supported with documentation and/or approved for payment:
      - \$11,873 for hotels.
      - \$5,302 for educational and other supplies.
      - \$1,218 for food, drinks, and meals.
      - \$947 for a cell phone.
      - \$771 for a vacuum cleaner.
      - \$445 for a computer.
      - \$1,968 for other items.
    - \$31,724 in purchases did not have proper approval for payment.
    - \$1,576 was incurred for membership fees, late fees, and interest.

A similar finding was reported in the previous audit.

**Matters Referred by Legislative Joint Auditing Committee**

**Crittenden County (Continued)**

Earle School District (Audit Period: 7/1/16 - 6/30/17): (Continued)

3. During ALA examination of payroll records, ALA staff noted the following internal control weaknesses:
  - The Superintendent was overpaid \$4,515, which consisted of a \$4,000 annuity overpayment and \$515 resulting from clerical errors.
  - The Superintendent did not provide documentation to the District for personal use of a school-owned vehicle to be reported on his IRS W-2 Form, in conflict with his contract terms.
  - The Business Manager and a licensed employee were overpaid \$3,835 and \$4,550, respectively, in unused leave payments, in noncompliance with District policy.
  - Five employees were paid stipends of \$5,558, \$3,000, \$2,500, \$900, and \$2,850, respectively, that were not listed on the District's approved salary schedule.
  - Employee contracts were not signed by the applicable Board members.
  - The District paid \$910,063 in salaries and benefits to 49 employees from national school lunch student categorical funds. The Arkansas Department of Education determined, and ALA staff confirmed, that \$766,585 of this amount was not eligible to be paid from this source of funds.

Payroll deficiencies were reported in the previous audit.

4. The District purchased 103 athletic rings costing a total of \$36,157 of which \$10,810 was paid using athletic event gate receipts. As of report date, the remaining balance was still owed to the vendor. Of this amount, \$22,824 was for 64 student athletes, resulting in an average ring cost per student of \$357 in conflict with Ark. Code Ann. § 6-20-417, which prohibits a district from expending more than an average of \$100 per student per activity for such items. The remaining amount of \$13,333 was expended for 39 rings as follows:
  - \$4,356 for coaches (13 rings).
  - \$2,785 for the Superintendent and other administrators (8 rings).
  - \$2,437 for other individuals (7 rings).
  - \$2,099 for other employees (6 rings).
  - \$981 for spouses of the Superintendent and a coach (3 rings).
  - \$675 for Board members (2 rings).

Matters Referred by Legislative Joint Auditing Committee

Crittenden County (Continued)

Earle School District (Audit Period: 7/1/16 - 6/30/17): (Continued)

5. ALA examination of 21 travel reimbursements totaling \$14,036 (28 transactions) made to employees and two Board members revealed the following:
  - Three transactions totaling \$1,238 did not have proper approval for payment.
  - Two transactions totaling \$1,420 were not supported with documentation.
  - Thirteen transactions totaling \$7,901 were not supported with documentation or properly approved for payment. The following was also noted:
    - The Superintendent was reimbursed \$628 for a trip to Denver, Colorado, without supporting documentation or approval.
    - One Board member was reimbursed \$300 for a trip to New Orleans, Louisiana without supporting documentation or approval.
  - One employee was paid a travel per diem of \$300 in conflict with the District's policy, which states that only Board members are eligible to receive a travel per diem.
6. During examination of receipts, ALA staff noted the following internal control weaknesses:
  - Receipts did not always reflect the composition of funds received (i.e., cash or check).
  - The District did not always reconcile differences between receipts issued and funds deposited. Activity receipts totaling \$281 could not be traced to deposits, and activity deposits totaling \$45 could not be traced to receipts.
  - \$1,120 in cash was paid to officials from gate revenues. In addition, concession receipts or deposits could not be located for three athletic events.
  - No receipts or deposits were noted for the community pool managed by the District.

**Status per Prosecuting Attorney:** *These findings expose poor recordkeeping and disregard of good management priorities. The Department of Education has taken over the administration of the District and is taking corrective actions. No criminal intent was apparent; therefore, this matter is closed.*

Matters Referred by Legislative Joint Auditing Committee

Crittenden County (Continued)

Earle School District (Audit Period: 7/1/15 - 6/30/16):

- 2017 \$679 in travel expenses incurred in July 2015 for family members of the Superintendent, who reimbursed the District on July 5, 2016.

**Status per Prosecuting Attorney:** *The travel expenses were repaid by the former Superintendent, and no criminal intent was apparent. This matter is considered closed..*

Town of Clarkedale (Audit Period: 1/1/18 - 12/31/18):

2019 Mayor and Recorder/Treasurer

The Town paid \$650 for an appreciation dinner for nonemployee law enforcement and fire protection individuals and their families, in apparent conflict with the "public purpose" doctrine and Ark. Const. art. 12, § 5.

**Status per Prosecuting Attorney:** *The PA advised the Mayor to familiarize himself with the public purpose doctrine and, if he has questions about potential conflicts, to consult with ALA. This matter is considered closed.*

Town of Sunset (Audit Period: 1/1/15 - 12/31/16):

2018 Mayor

1. The Town paid \$11,080 and \$19,942 on the Mayor's personal credit card accounts in 2016 and 2015, respectively, in noncompliance with Ark. Const. art. 12, § 5. The Mayor identified personal credit card transactions totaling \$6,070 and \$9,439 in 2016 and 2015, respectively, as Town expenditures. Based on ALA review of \$4,456 (2016) and \$4,440 (2015) of those transactions, ALA staff determined that \$2,735 (61%) and \$3,141 (71%), respectively, lacked documentation to substantiate them as Town expenditures. Additionally, the Mayor withdrew \$1,200 from the Town's bank account in 2015 using a counter check.

To justify these credit card payments and the cash withdrawal, the Mayor submitted the items shown below for which he claimed to have paid from personal funds:

- Timesheets for \$7,610 in contract labor performed by various individuals. ALA staff verified payments to these individuals were not made from the Town's bank accounts, and two individuals confirmed they received cash payments from the Mayor. However, the Town issued IRS 1099 Forms to these individuals.
- Timesheets for \$6,930 in work the Mayor performed for the Town; however, the Town did not have an ordinance allowing the Mayor to provide additional services, in conflict with Ark. Code Ann. § 14-42-107. ALA staff verified payments to the Mayor for the timesheets submitted were not made from the Town's bank accounts.

**Matters Referred by Legislative Joint Auditing Committee**

**Crittenden County (Continued)**

Town of Sunset (Audit Period: 1/1/15 - 12/31/16): (Continued)

- Invoices for Town business totaling \$1,973 and purchase of a mower for \$5,000. ALA staff verified payments to vendors were not made from the Town's bank accounts.
- One \$400 invoice for Town parking lot repairs. ALA staff verified this payment was not made from the Town's bank accounts.

**Status per Prosecuting Attorney:** *This matter is under investigation by the Crittenden County Sheriff's Office.*

**Greene County**

City of Marmaduke (Audit Period: 1/1/18 - 12/31/18):

- 2019 The Recorder/Treasurer was paid \$546 for unused annual leave in 2018 without timesheets or other records to document leave accrual and usage. Because the City had no policies relating to annual and sick leave documentation guidelines for elected officials, ALA staff could not verify the authenticity of the undocumented payment.

**Status per Prosecuting Attorney:** *The PA advised the Mayor to pass an ordinance if the Council intends to pay unused annual leave for elected officials, if one is not already in effect. This matter is considered closed.*

Greene County (Audit Period: 1/1/18 - 12/31/18):

- 2019 The County paid two Deputy Sheriffs a total of \$2,800 to perform duties as Deputy Coroners without a contract or authorizing ordinance, in noncompliance with Ark. Code Ann. § 14-42-107.

The County Treasurer's salary was reduced by \$2,500 during the current term, in apparent conflict with Ark. Const. amend. 55, § 5, and Ark. Code Ann. § 14-14-1203 as interpreted by Op. Att'y Gen. no. 2018-13. On May 9, 2019, the County reimbursed the County Treasurer for the reduction, and on May 15, 2019, the County Treasurer donated a portion of the reimbursement to the County .

**Status per Prosecuting Attorney:** *The PA advised the County Judge to pass an ordinance if the Deputy Sheriffs are to continue acting as Deputy Coroners. This matter is considered closed.*

Marmaduke School District (Audit Period: 7/1/17 - 6/30/18):

- 2019 On June 11, 2018, the District's Board of Directors passed a motion approving the payment of 120 days of unused sick leave to the Superintendent upon his retirement, effective June 30, 2018. The number of days approved for payment included 30 days of unused sick leave that were "lost" upon the Superintendent's employment in 2007. The Superintendent had accumulated 120 days of unused sick leave at the District where he was previously employed; however, only 90 days were transferred to the District, in compliance with Ark. Code Ann. § 6-17-1206. The payment of these 30 days, at the substitute rate of \$65 per day, resulted in an overpayment of \$1,950 to the former Superintendent.

Matters Referred by Legislative Joint Auditing Committee

Greene County (Continued)

Marmaduke School District (Audit Period: 7/1/17 - 6/30/18): (Continued)

**Status per Prosecuting Attorney:** The PA advised the Superintendent to consult with the District's civil attorney if they wish to recoup the overpayment, if they have not done so. There is no criminal intent, so this matter is considered closed.

Mississippi County

City of Luxora (Audit Period: 1/1/18 - 12/31/18):

2019 Mayor and Treasurer

1. The City paid bonuses to six employees totaling \$3,150, which exceeds the \$2,400 that was approved by Council.
2. The City paid credit card charges totaling \$9,973 for meals, lodging, etc. without supporting documentation or indication of a business purpose, in noncompliance with Ark. Code Ann. § 14-59-105.

**Status per Prosecuting Attorney:** The findings were the result of poor recordkeeping and failure to follow proper accounting practices. The PA advised the current Mayor to ensure the city hall staff properly maintain receipts and record disbursements in a timely manner, reconcile the City's checking accounts monthly, and not make payments in excess of appropriated amounts. This matter is considered closed.

City of Joiner (Audit Period: 1/1/16 - 12/31/16):

2018 Recorder/Treasurer

The Recorder/Treasurer elected family coverage for her Municipal Health insurance benefits for 2014, 2015, and 2016, although the City's practice only allows for individual coverage and the Recorder/Treasurer was the only employee to elect family coverage. The Recorder/Treasurer used City funds totaling \$4,050 and \$2,250 to pay a portion of the family premiums in 2016 and 2014, respectively. According to records provided by the Arkansas Municipal League, the Recorder/Treasurer paid the family portion of the premiums in 2015 using her own funds. This matter has been referred to State Police for investigation.

**Status per Prosecuting Attorney:** This matter is closed (see PA response for 2016 City of Joiner finding).



Matters Referred by Legislative Joint Auditing Committee

Mississippi County (Continued)

City of Joiner (Audit Period: 1/1/13 - 12/31/15):

2016 Recorder/Treasurer

\$850 paid to the Recorder/Treasurer in 2013 in excess of appropriated compensation.

**Status per Prosecuting Attorney:** Arkansas State Police investigated allegations of overpayment by the City for the Recorder/Treasurer's health insurance benefit and compensation in excess of appropriated amount. There were conflicting stories between the Recorder/Treasurer and Mayor as to who had authority to make the payments. It is not clear beyond a reasonable doubt that the Recorder/Treasurer made these payments without permission from the Mayor. Because of insufficient evidence of theft, no charges will be filed. This matter is closed.

Mississippi County (Audit Period: 1/1/17 - 12/31/17):

2019 County Judge

Landfill Director William Allen, whose employment was terminated in September 2018, was charged in federal court on August 29, 2018, with honest services fraud and conspiracy. According to the criminal complaint, Allen was involved in apparent schemes to defraud the County by conspiring with a vendor located in Missouri to not charge applicable landfill fees, resulting in approximately \$19,500 of uncollected fees.

**Status per Prosecuting Attorney:** William Allen pled guilty in federal court to a charge of honest service mail fraud on September 15, 2020, and is awaiting sentencing.

Mississippi County (Audit Period: 1/1/18 - 12/31/18):

2019 Landfill funds of \$2,219 were not deposited for the period August 2018 through June 2019. Doris Thorp, part-time Landfill Billing Clerk, acknowledged that she misappropriated cash from the Landfill fee deposits. Thorp's employment was terminated June 18, 2019, and she reimbursed the County \$1,000 as of September 18, 2019.

**Status per Prosecuting Attorney:** Ms. Thorp has repaid the misappropriated cash. This matter is closed.



Matters Referred by Legislative Joint Auditing Committee

Mississippi County (Continued)

Mississippi County (Audit Period: 1/1/13 - 12/31/13):

- 2015 It was brought to the attention of ALA staff that the County was conducting a high volume of business with an out-of-state vendor for repairs of Landfill Department equipment. A review of disbursements revealed that the County paid \$1,046,864 to Hollister Industrial, LLC, for the period October 2012 through February 2015. The Quorum Court adopted Ordinance no. 0-2014-02 on January 28, 2014, which authorized the County to conduct business with Hollister Industrial and acknowledged this vendor employs the brother of a Landfill Department employee. ALA staff research revealed the brother appears to own/operate Hollister Industrial. Due to the related party transactions, the vendor's location of approximately 260 miles away, and the amount of money disbursed, the Prosecuting Attorney has requested an Arkansas State Police investigation.

**Status per Prosecuting Attorney:** *Arkansas State Police brought in the FBI to assist with its investigation. Before any charging decisions could be made, the subject of the investigation (the County Judge) died, which caused both agencies to close their investigations. Therefore, this matter is closed.*

Town of Dyess (Audit Period: 1/1/18 - 12/31/18):

- 2019 The City paid credit card charges totaling \$6,791 for meals, lodging, and fuel without supporting documentation or indication of a business purpose and \$1,445 for other tested disbursements without adequate supporting documentation, in noncompliance with Ark. Code Ann. § 14-59-105.

The City paid \$646 to the local food bank, a private organization, without a contract, in conflict with Ark. Const. art. 12, § 5.

**Status per Prosecuting Attorney:** *The PA advised the Mayor to ensure city employees retain their receipts for the auditors and to create a written contract for their dealings with the food bank, detailing the benefits the City received in exchange for payments. This matter is considered closed.*

Poinsett County

Arkansas Game and Fish Commission (Audit Period: 7/1/14 - 6/30/15):

- 2016 In a letter dated April 28, 2016, the Commission notified ALA of the following:
- On July 7, 2015, property was stolen from an officer's locked AGFC pickup parked at his residence. AGFC property taken, valued at \$2,114, included a portable radio; bulletproof vest and badge; and a military camo bag containing a plug checker, Thermacell and repellent, citation book, evidence collection equipment, log book, gas card, camera, and a mini Maglite. Incident and police reports were filed.
  - On April 14, 2015, a Honda Rubicon ATV, a 5' x 8' utility trailer, and a 16" Stihl chainsaw, with a total estimated value of \$6,898, were stolen from the Earl Buss Bayou DeView WMA shop building. Incident and police reports were filed.

Matters Referred by Legislative Joint Auditing Committee

Poinsett County (Continued)

Arkansas Game and Fish Commission (Audit Period: 7/1/14 - 6/30/15): (Continued)

**Status per Prosecuting Attorney:** After five years with no suspects in the thefts, this matter will be closed.

Arkansas Public Employees Retirement System (Audit Period: 7/1/15 - 6/30/16):

2017 During other testing procedures, ALA staff noted that a retiree's beneficiary, who died in September 2014, continued to receive benefits, net of payroll taxes, totaling \$39,606 for the period October 1, 2014 through January 15, 2016. The Agency sent a final collection letter on September 6, 2016, and as of report date, this amount remains due to the Agency.

**Status per Prosecuting Attorney:** The conduct referred in this matter took place in 2014. Prosecution is barred by the statute of limitations. Therefore, this matter is closed.

City of Fisher (Audit Period: 1/1/14 - 12/31/15):

2017 Mayor, Recorder/Treasurer, and Bookkeeper

\$3,991, \$830, and \$181 paid to a fuel vendor without a documented business purpose in 2014, in 2015, and from January through July 2016, respectively, in noncompliance with Ark. Code Ann. §§ 14-58-303 and 14-59-105. Sundry items totaling \$177 were included in these payments. According to the Mayor, fuel purchases were for both city and personal vehicles; however, the amount of fuel purchased for city vehicles could not be determined due to inadequate city records. A similar finding was noted in the prior report.

**Status per Prosecuting Attorney:** This matter is pending.

Mayor and Recorder/Treasurer

\$13,858, \$4,591, and \$2,330 paid to the Mayor in 2014, in 2015, and from January through July 2016, respectively, and \$502 paid to the Recorder/Treasurer in 2014 without adequate documentation, as required by Ark. Code Ann. § 14-59-105. A similar finding was noted in the prior report.

**Status per Prosecuting Attorney:** This matter is pending.

Mayor and Bookkeeper

\$800 and \$1,500 paid for repair services in 2015 and 2016, respectively, to a company owned by a Council Member, who had volunteered to serve as Bookkeeper through June 2, 2016, without an authorizing ordinance, as required by Ark. Code Ann. § 14-42-107. Furthermore, documentation to support these payments was not on file at the City until ALA requested it from this Council Member/Bookkeeper, who provided three invoices, on September 22, 2016. These invoices appeared invalid because of the following irregularities:

Matters Referred by Legislative Joint Auditing Committee

Poinsett County (Continued)

City of Fisher (Audit Period: 1/1/14 - 12/31/15): (Continued)

- \$400 paid in 2015 was for a \$388 invoice, including sales tax at a rate of 8%.
- \$400 paid in 2015 was for a \$422 invoice, including sales tax at a rate of 8.25%.
- \$1,500 paid in 2016 was dated April 26, 2015; was marked "paid" on that date; and did not include an amount for sales tax.

Additionally, these three invoices reflected the payment amount and a zero balance due, and in one instance, the payment method indicated "visa" rather than "check."

In addition, the Council Member/Bookkeeper reimbursed her company \$1,020 and \$2,700 in 2015 and 2016, respectively, for office supplies, a computer, and software. Of this \$3,720, only \$788 was supported by documentation, leaving \$2,932 due the City. On April 18, 2016, the Council Member/Bookkeeper also issued a \$4,000 city check payable to a vendor to which the City did not owe payment; the vendor applied this amount to the Council Member/Bookkeeper's company account. During an interview on September 22, 2016, the Council Member/Bookkeeper assumed responsibility for the \$2,932 in undocumented reimbursements to her company and reimbursed the City \$4,000 for the improper vendor payment.

As of report date, the Council Member/Bookkeeper's company received improperly documented payments totaling \$5,232.

**Status per Prosecuting Attorney:** *The former Mayor is deceased. The former Council member who served as Bookkeeper moved out of state when the PA requested an Arkansas State Police investigation. A special agent for the State Police obtained an arrest warrant for the former Council member who served as Bookkeeper. She has not returned to the State, and an arrest has not been made. This matter will be prosecuted in due course once an arrest has been made.*

City of Fisher (Audit Period: 1/1/13 - 12/31/13):

2014 Mayor and Recorder/Treasurer

\$6,661 in fuel purchases lacked supporting documentation and indication of a business purpose, in noncompliance with Ark. Code Ann. §§ 14-59-105 and 14-58-303. The Mayor and Recorder/Treasurer indicated these fuel purchases were for City and personal vehicles.

\$16,618 and \$3,814 paid to the Mayor and Recorder/Treasurer, respectively, without proper documentation, as required by Ark. Code Ann. § 14-59-105.

**Status per Prosecuting Attorney:** *The former Mayor is deceased, and the former Bookkeeper is no longer employed by the City. This finding involves a different individual employed as Bookkeeper and was prior to the theft allegations from the former Council member acting as Bookkeeper. No criminal allegations were raised. Ethical findings were issued because of lack of receipts and proper documentation. Therefore, this matter is closed.*

Matters Referred by Legislative Joint Auditing Committee

Poinsett County (Continued)

City of Fisher (Audit Period: 1/1/13 - 12/31/13): (Continued)

Mayor

The Fire Department Secretary closed the Fire Department Special Savings account, a City account, by withdrawing \$7,000 on June 21, 2013, and depositing these funds into the Fire Department Auxiliary account, which is not a City account. In 2013, \$1,563 was remitted to the City's Local Police and Fire Retirement (LOPFI) plan from the Auxiliary account.

**Status per Prosecuting Attorney:** *There was a recovery of some funds from the Fire Department account. This matter is considered closed.*

City of Harrisburg (Audit Period: 1/1/18 - 12/31/18):

- 2019 Four unauthorized withdrawals totaling \$9,406 were made from the City's bank account in December 2018. Entity personnel discovered the unauthorized withdrawals upon reconciliation of the affected bank accounts, and the funds were recovered from the bank.

**Status per Prosecuting Attorney:** *The City was a victim of online fraud, which resulted in funds being debited from its account. The bank found it, and there were no losses to the City. There is no information regarding the anonymous online culprit. This matter is considered closed.*

Poinsett County (Audit Period: 1/1/17 - 12/31/17):

2019 County Judge

The County used public resources restricted to the Road Department, including vehicles, equipment, and personnel, to deliver disaster relief items to Texas, in violation of Ark. Code Ann. § 27-70-207. Nine county employees were paid a total regular salary of \$1,859 to make this trip. The use of these resources is suspect under the "public purpose" doctrine and Ark. Const. art. 12, § 5, which states, in part, "No...County...shall obtain or appropriate money for...any corporation, association, institution or individual." Additionally, donated funds and trip expenses were not processed through the County's financial system.

**Status per Prosecuting Attorney:** *This matter was addressed with the County Judge immediately after it happened. It is considered closed.*



## Third Judicial District

*Jackson, Lawrence, Randolph, and Sharp Counties*

Judicial District Population: 68,525  
Circuit Judges: 3

Henry H. Boyce  
Prosecuting Attorney

### Matters Referred by Legislative Joint Auditing Committee

#### Jackson County

City of Diaz (*Audit Period: 1/1/18 - 12/31/18*):

- 2019 On November 19 and November 27, 2018, an individual used City bank information to process three unauthorized withdrawals totaling \$6,752. The City immediately notified bank personnel of the unauthorized withdrawals, and funds were recovered from the bank.

***Status per Prosecuting Attorney:*** *The PA does not believe there has been any misconduct sufficient to warrant prosecution. The matter is closed.*

#### Lawrence County

City of Walnut Ridge (*Audit Period: 1/1/17 - 12/31/17*):

- 2019 Mayor

Fire Department funds totaling \$757 were used to purchase fuel for a firefighter's personal vehicle for the period July 11, 2017 through March 24, 2018. Christopher Goforth stated to City officials that he used the Department's credit card for personal expenses. Goforth's employment was terminated on April 26, 2018, and as of May 8, 2018, he had paid full restitution of \$757 to the City.

***Status per Prosecuting Attorney:*** *Goforth pled no contest to misdemeanor theft of property charges, was sentenced to 12 months suspended imposition of sentence, and was ordered to pay a \$430 fine. This matter is closed.*

Hoxie Waterworks and Sewer Fund (*Audit Period: 1/1/16 - 12/31/17*): **[Private audit]**

- 2019 Customer collections for services provided and meter deposit funds were not deposited into the Department's bank accounts totaling \$15,378 and \$4,875, respectively, during the period December 2017 through March 2018. The total shortage in cash collected and not deposited amounted to \$20,253.

***Status per Prosecuting Attorney:*** *Keri J. Smith pled nolo contendere to felony theft of property; was sentenced to 48 months supervised probation; was ordered to pay \$940 in fines, fees, and costs; and paid restitution of \$31,503 on the day plea was entered. This matter is closed.*

Matters Referred by Legislative Joint Auditing Committee

Sharp County

City of Cherokee Village (Audit Period: 1/1/17 - 12/31/17):

2019 Mayor

In March 2018, City officials discovered, and the Cherokee Village Police Department investigated, the improper use of a City credit card by employee Raymond Newcomb. Newcomb admitted to using the card to purchase fuel for his personal vehicle and reimbursed the City \$180. The City Investigator reviewed and analyzed fuel purchases made with the City's credit cards during 2017 and 2018 and determined that Newcomb made an additional \$444 in personal fuel purchases. Subsequent to Newcomb's employment termination on March 26, 2018, the Police Department was notified of another possible theft. Further investigation revealed \$1,663 in equipment and supply items belonging to the City that were located at Newcomb's residence. Newcomb was charged with 12 counts of theft of property on July 17, 2018.

**Status per Prosecuting Attorney:** *Newcomb pled guilty to one count of felony theft of property, was sentenced to 48 months probation, and was ordered to pay \$500 in fines and fees and \$444 in restitution.*

Sharp County (Audit Period: 1/1/17 - 12/31/17):

2019 Sheriff

The Sheriff's office conducted a review of after-hours receipts collected at the jail after being notified by the District Court Clerk of a receipt for payment that she received that had apparently never been turned over to either the District Court or Sheriff's office. This review revealed seven receipts totaling \$2,130, collected in July and August 2017, that could not be traced to subsequent deposit in either the Sheriff's office or District Court bank accounts. During an investigation by the Sheriff's office, a jail employee turned over \$690 in cash when questioned about the missing receipts, and a family member of the employee subsequently paid an additional \$1,060. The individual's employment was terminated on November 1, 2017. This matter was turned over to the Prosecuting Attorney by County officials and is currently being investigated.

**Status per Prosecuting Attorney:** *Due to a conflict of interest, this matter was turned over to a Special Prosecutor and remains pending.*

**Status per Special Prosecuting Attorney:** *Insufficient evidence to pursue a criminal case.*

**Note:** No matters were referred for Randolph County.



## Fourth Judicial District

Madison and Washington Counties

Judicial District Population: 255,763  
Circuit Judges: 7

Matt Durrett  
Prosecuting Attorney

### Matters Referred by Legislative Joint Auditing Committee

#### Washington County

City of Greenland (Audit Period: 1/1/18 - 12/31/18):

- 2019 It came to our attention that, on December 6, 2018, an individual used City bank account information to process an unauthorized withdrawal totaling \$2,926. Entity personnel discovered the unauthorized withdrawal upon reconciliation of the affected account, and the funds were recovered from the bank.

**Status per Prosecuting Attorney:** *The Greenland Police Department conducted an investigation into this matter and determined that an individual in Texas gained access to the City's account information and wrote and cashed a fictitious check. Since the criminal behavior took place in Texas, the Department closed its investigation as not prosecutable. This matter is closed.*

Ozark Montessori Academy (Audit Period: 7/1/16 - 6/30/17):

2018 ALA review revealed the following:

1. During review of grant revenue, ALA staff noted the Charter School received a \$100,000 grant from a charitable foundation to fund staff development and strengthen leadership capacity for the Charter School in January 2016. This grant was not disclosed to us during the 2016 fiscal year audit engagement. Although the grant check was made payable to the Charter School (Ozark Montessori Academy), it was endorsed by the Director, who resigned from her position in January 2017, and deposited into a bank account for Ozark Kids, Inc., a daycare affiliated with the Charter School's founding organization. In addition, the Charter School did not adhere to the grant award requirement to provide the grantor a financial report and project narrative by January 31, 2017; this report was submitted on June 5, 2018. According to current Charter School personnel, Charter School operating funds were used to fulfill the grant purpose while ALA examination of the Ozark Kids, Inc., bank transactions disclosed that, without adequate supporting documentation, funds belonging to the Charter School totaling \$98,514 were used as follows:

- \$50,191 was transferred to other Ozark Kids, Inc., operating bank accounts.



Matters Referred by Legislative Joint Auditing Committee

Washington County (Continued)

Ozark Montessori Academy (Audit Period: 7/1/16 - 6/30/17): (Continued)

- \$19,818 was paid to vendors without supporting documentation.
  - \$8,500 was used to rent a house and grounds (approximately 12 acres) for a proposed training facility.
  - \$9,474 was used for various repairs and maintenance to the property in lieu of a portion of the rent.
  - \$3,951 was paid to the former Director.
  - \$2,369 was paid for conference fees and memberships.
  - \$1,422 was transferred to the Charter School's operating bank account.
  - \$1,067 was paid to an online vendor, with only copies of open online shopping carts provided to support these payments.
  - \$676 was paid for airfare.
  - \$437 in cash was withdrawn from the bank account by the former Director on March 23, 2016.
  - \$233 was reimbursed to employees for travel costs, including \$26 to the former Director.
  - \$207 was spent at two retail shops in Branson, Missouri, using a debit card.
  - \$169 was paid to Billmatrix, an online payment acceptance company for Entergy, Inc.; however, this utility provider does not serve Northwest Arkansas.
2. The Charter School paid half of teachers' children's preschool tuition, totaling \$36,876 from July 2015 through January 2018, to Ozark Kids, Inc., without proper Board approval. The portion of tuition paid by the Charter School on behalf of the teachers was not reported as income for the teachers receiving the benefits.

**Status per Prosecuting Attorney:** *The Springdale Police Department conducted an investigation and found insufficient evidence to forward to this office for prosecution. Therefore, this matter is closed.*



Matters Referred by Legislative Joint Auditing Committee

Washington County (Continued)

University of Arkansas, Fayetteville (Audit Period: 7/1/18 - 6/30/19):

- 2019 The University of Arkansas System Internal Audit Department (IAD) conducted an audit to detect unauthorized changes to the University's vendor master file and resulting losses primarily for the period September 1, 2018 through November 30, 2018. After a suspected automated clearing house (ACH) payment fraud, management filed a report with the University Police Department. IAD found that one vendor's banking information was altered through a domain not belonging to the vendor, resulting in 15 unauthorized ACH payments totaling \$132,079 to an apparent fraudulent recipient. Of this amount, \$13,108 was recovered by the bank, leaving a loss of \$118,971 to the University.

**Status per Prosecuting Attorney:** This matter is currently being investigated by Arkansas State Police.

University of Arkansas, Fayetteville (Audit Period: 7/1/17 - 6/30/18):

- 2018 The University of Arkansas System Internal Audit Department (IAD) conducted an audit of purchase transactions made by the Administrative Analyst (Analyst) of the UAteach program during the period January 1, 2014 through March 31, 2018. IAD determined that 75 unauthorized purchases totaling \$14,995 were charged to procurement cards (P-Card) assigned to the Analyst. In addition, IAD noted three personal purchases totaling \$504 that were charged to the Analyst's P-Card and for which the University had billed the Analyst. Of the \$15,499 in total unauthorized purchases made by the Analyst, \$118 has been reimbursed and \$4,712 was recovered from her final payroll check, leaving \$10,669 as the remaining loss to the University. The Analyst resigned from employment on March 6, 2018.

**Status per Prosecuting Attorney:** Sharon Vaughan was charged with felony forgery, theft of property, and fraudulent use of a credit or debit card. A court date is scheduled for October 22, 2020.

Washington County (Audit Period: 1/1/17 - 12/31/17):

- 2018 County Judge

During the 2018 County budget process in late 2017 and while Information Technology (IT) Director John Adams was on leave, a County Judge's Office employee noted irregularities in IT Department budget line-item transfers and disbursements, as well as related supporting documentation. As a result, the County Attorney contacted the Fourth Judicial District Prosecuting Attorney, who assigned the Fayetteville Police Department to investigate these irregularities in conjunction with the IT Department.

IT Department personnel originally identified disbursements totaling \$76,277, made with the purchasing card (P-card) assigned to Adams, that were not for County-related purposes during the period January 1, 2011 through December 31, 2017. Of this amount, Adams returned equipment and other items valued at \$4,411 to the County after he resigned from employment on January 4, 2018. According to County personnel, Adams had approximately 36 IT-related certifications and owned an in-home IT training and consulting business.

Matters Referred by Legislative Joint Auditing Committee

Washington County (Continued)

Washington County (Audit Period: 1/1/17 - 12/31/17): (Continued)

ALA staff reviewed the methodology the IT Department personnel used to determine questionable purchases and analyzed all P-card purchases for which Adams was recorded as the user. ALA review revealed that Adams made 296 questionable purchases totaling \$102,308, as noted below:

- \$53,542 for 162 purchases without a reasonable County purpose, including training, travel, and other costs associated with obtaining IT certifications.
- \$16,269 for 59 purchases shipped to Adams' residence.
- \$15,516 for 31 purchases for which the invoice appeared altered.
- \$13,920 for 31 purchases using the email address of the business owned by Adams.
- \$2,603 for 11 purchases made on weekend days and after normal working hours.
- \$458 for 2 purchases with insufficient documentation.

These questionable purchases were categorized for IT certifications, exam fees, and training costs, including travel (\$43,590); equipment (\$24,924); training and reference books/DVDs (\$22,515); software (\$5,474); memberships (\$5,396); and a leather jacket and other clothing (\$409).

Additionally, in conjunction with IT Department staff, ALA staff reviewed selected purchases processed as County claims. This review indicated 22 additional questionable purchases totaling \$44,974 that were primarily for equipment, software, and training costs.

In summary, 318 purchases totaling \$147,282 made in the IT Department were deemed questionable based on factors including lack of an apparent County purpose or use, invoices that appeared to be altered, items ordered or purchased during non-working hours, items shipped to a personal residence, and items purchased using the business email of Adams. Of this amount, \$102,308 was for P-card purchases for which the former IT Director was recorded as the user, and the remaining \$44,974 was for purchases made using the claims process.

Former IT Director John Adams was charged with one count of theft of property, a class B felony, in February 2018, and a trial is pending.

**Status per Prosecuting Attorney:** A Special Prosecutor from the 19th-West Judicial District was assigned to this case. Adams was charged with felony theft of property, and the case is currently pending.

**Status per Special Prosecuting Attorney:** A court date is scheduled for January 4, 2021.

**Note:** No matters were referred for Madison County.



## Fifth Judicial District

Franklin, Johnson, and Pope Counties

Judicial District Population: 108,365  
Circuit Judges: 4

Jeff Phillips  
Prosecuting Attorney

### Matters Referred by Legislative Joint Auditing Committee

#### Franklin County

City of Charleston (Audit Period: 1/1/18 - 12/31/18):

- 2019 On December 17, 2018, one unauthorized withdrawal totaling \$2,790 was made from the City's bank account. Entity personnel discovered the unauthorized withdrawal upon review of the affected bank account, and the funds were recovered from the bank.

***Status per Prosecuting Attorney:*** Since the funds were recovered from the bank, it is the PA's position that no further action is needed in this matter.

City of Ozark (Audit Period: 1/1/17 - 12/31/17):

2018 Mayor

The City made payments totaling \$49,635 to the following organizations, in apparent conflict with Ark. Const. art. 12, § 5, as interpreted by Op. Att'y Gen. no. 1992-099:

- \$30,000 to Main Street Ozark.
- \$12,000 to the Area Agency on Aging.
- \$2,953 to the Chamber of Commerce.
- \$2,500 to the Ozark-Franklin County Airport.
- \$1,000 to the Senior Citizens Center.
- \$682 in travel reimbursements to Keep Ozark Beautiful personnel.
- \$500 to the Fort Smith Regional Alliance.

Mayor and Recorder/Treasurer

Review of credit card charges indicated the City had one account with five cards issued to the Mayor, Recorder/Treasurer, Street Superintendent, Police Chief, and Fire Chief, respectively. ALA review disclosed the following charges to these cards:

Matters Referred by Legislative Joint Auditing Committee

Franklin County (Continued)

City of Ozark (Audit Period: 1/1/17 - 12/31/17): (Continued)

- \$1,520 in undocumented fuel purchases (\$1,343 by the Fire Chief and \$177 by the Street Superintendent).
- \$1,049 in charges not adequately documented (\$752 by the Street Superintendent, \$248 by the Fire Chief, and \$49 by the Recorder/Treasurer).
- \$925 conference registration fee for personnel of a nonprofit organization (Keep Ozark Beautiful) in apparent conflict with Ark. Const. art. 12, § 5, as interpreted by Op. Att'y Gen. no. 1992-099.
- \$300 in conference registration fees for the family members of the Mayor and a City Council official.
- \$224 in clothing purchases made by the Street Superintendent without an apparent business purpose.
- \$88 in personal purchases by the Recorder/Treasurer, who submitted a personal check issued to the credit card company for these charges.

District Court Clerk

The following deficiencies were noted concerning the District Court Bond and Fine account receipting and depositing procedures, in noncompliance with Ark. Code Ann. § 16-10-209:

- Receipts were not deposited intact and daily.
- Receipts were not reconciled with monthly deposits.
- Monthly settlements were not made timely (i.e., on or before the tenth day of the following month).

In addition, receipts were \$2,375 more than bank deposits as of December 31, 2017; however, as of May 20, 2018, all receipts had been deposited.

**Status per Prosecuting Attorney:** *These matters were assigned to a Special Prosecutor from the 14th Judicial District.*

**Status per Special Prosecuting Attorney:** *Subsequent to an investigation, Arkansas State Police recommended that no charges should be filed. The PA will not file charges in this matter.*

Franklin County (Audit Period: 1/1/17 - 12/31/17):

2019 An analysis of the County Sheriff's credit card account for 2017 and from January 1 to September 30, 2018, revealed the following:

- During 2017, \$699 in personal purchases were made by County Sheriff employees and \$1,661 in purchases were made on behalf of the Sheriff's Garden Account. The employees and organization reimbursed the credit card company directly for these charges.

Matters Referred by Legislative Joint Auditing Committee

Franklin County (Continued)

Franklin County (Audit Period: 1/1/17 - 12/31/17): (Continued)

- During the 2018 review period, \$2,027 in personal purchases were made by County Sheriff employees. These individuals reimbursed the credit card company directly for these charges.
- For the complete review period, finance charges and late fees totaled \$411 and \$651, respectively.

These transactions conflict with the "public purpose doctrine" discussed in Op. Att'y Gen. no. 91-410 and Ark. Const. art. 12, § 5, which states, in part, "No... County...shall...appropriate money for, or loan its credit to any corporation, association, institution, or individual."

Additionally, unauthorized charges of \$1,663 and \$3,359 were made to the Sheriff's credit card account for 2017 and from January 1 to September 30, 2018, respectively. As of report date, the credit card company had reversed all of the 2017 and 2018 charges.

**Status per Prosecuting Attorney:** *The PA declined to prosecute based on the fact that, although this behavior was in conflict with the public purpose doctrine, the PA does not believe it rises to the level of criminal behavior, nor is there anyone specifically identified to have engaged in criminal conduct. It appears the purchases were not made with the intent to deprive the County of the identified money.*

Johnson County

Johnson County (Audit Period: 1/1/17 - 12/31/17):

2019 Sheriff

An analysis of the County Sheriff's credit card account revealed \$3,102 in purchases made on behalf of the Explorer Program. The organization reimbursed the credit card company directly; however, these charges conflict with Ark. Const. art. 12, section 5, which states, in part, "No...County...shall...appropriate money for, or loan its credit to any corporation, association, institution, or individual."

**Status per Prosecuting Attorney:** *The PA declined to prosecute based on the fact that, although this behavior was in conflict with the public purpose doctrine, the PA does not believe it rises to the level of criminal behavior, nor is there any allegation that anyone engaged in any criminal conduct. It appears the purchases were made with the expectation that the money would be paid back, which did occur.*

Matters Referred by Legislative Joint Auditing Committee

Johnson County (Continued)

Lamar School District (*Audit Period: 7/1/17 - 6/30/18*):

2019 On October 12, 2018, the District discovered discrepancies in the deposits of food service receipts to the District's bank account. Our analysis of amounts entered into the District's food service accounting software to amounts receipted and deposited into the bank account for the period July 1, 2017 through December 31, 2018, revealed following:

- 56 instances totaling \$628 where bank deposits were less than receipts entered into the food service accounting system.
- 3 instances where receipts were not deposited sequentially and numerous instances where receipts were not always deposited intact.
- Adult meal sales were not adequately tracked to ensure proper accounting of total sales.
- Computer passwords and safe combinations were not adequately protected.
- Voided transactions were not reviewed and approved by management.

Subsequently on February 12, 2019, after audit inquiry about the deposit discrepancies, the Food Service Director found funds totaling \$359 in her office.

***Status per Prosecuting Attorney:*** The PA declined to prosecute based on the results of an investigation by Arkansas State Police.

**Note:** No matters were referred for Pope County.



# Sixth Judicial District

*Perry and Pulaski Counties*

Judicial District Population: 402,366  
Circuit Judges: 17

Larry Jegley  
Prosecuting Attorney

## Matters Referred by Legislative Joint Auditing Committee

### Perry County

City of Perryville (*Audit Period: 1/1/18 - 12/31/18*):

- 2019 The City paid \$441 for flowers, in apparent conflict with Ark. Const. art. 12, § 5, as interpreted in Op. Att'y Gen. no. 91-410.2.

The City paid \$900 for half of the cost of gym memberships for five employees, in apparent conflict with Ark. Const. art. 12, § 5, as interpreted in Op. Att'y Gen. no. 2012-094. In addition, this benefit was not included as taxable income to the applicable employee.

***Status per Prosecuting Attorney:*** No criminal code violation.

East End School District (*Audit Period: 7/1/17 - 6/30/18*):

- 2019 During our review of non-payroll expenditures, ALA staff discovered Arkansas Better Chance (ABC) grant funds totaling \$18,295 (including \$195 in fees) were used to purchase 43 Visa prepaid gift cards from various vendors and a bank. These gift cards were provided to two District employees for the purpose of purchasing instructional supplies for the ABC grant program. According to District management, this allowed for immediate access to the funds due to time constraints. During the audit period, purchases from gift cards totaling \$14,858 were properly documented and appear to be for allowable expenditures of the program; however, the District was unable to document the disposition of the remaining balance of \$3,437.

***Status per Prosecuting Attorney:*** No criminal code violation.

Perry County (*Audit Period: 1/1/17 - 12/31/17*):

- 2019 According to a Sheriff's Office incident report dated May 28, 2018, a former Road Department employee was arrested for being in possession of fuel and fuel drums owned by the County. This individual was charged with two counts of theft by receiving, class A misdemeanors; pled guilty in December 2018; and was sentenced to 12 months of incarceration in conjunction with other unrelated charges.

***Status per Prosecuting Attorney:*** This individual was charged with two counts of misdemeanor theft by receiving, pled guilty in December 2018, was sentenced to 12 months of incarceration in conjunction with other unrelated charges and order to pay a \$20 administrative fee. This matter is closed.



**Matters Referred by Legislative Joint Auditing Committee**

**Perry County (Continued)**

Town of Houston (Audit Period: 1/1/17 - 12/31/18):

- 2019 The Town paid \$4,800 to a Council member's spouse for mowing services in 2018 and 2017, as well as \$280 and \$480 to a water employee for cleaning services in 2018 and 2017, respectively. Although the Council passed a resolution in March 2018 allowing the Town to conduct this business, Ark. Code Ann. § 14-42-107 requires that the Council pass an ordinance.

**Status per Prosecuting Attorney:** *Ethics violation.*

**Pulaski County**

Administrative Office of the Courts (Audit Period: 7/1/17 - 6/30/18):

- 2019 According to travel guidelines contained in the Arkansas State Trial Court Employment Guide, an employee's official station should be the location (e.g., courthouse, annex, justice complex, etc.) or address where an employee normally reports for duty and spends the majority of his or her productive time conducting official job duties. An employee may be reimbursed for transportation costs associated with attending court away from the official station, based on the number of miles between the location from which the employee leaves (i.e., the official station or residence) and the work-related destination, whichever is less.

A review of mileage reimbursements for 21 trial court employees revealed overpayments totaling \$14,386 (\$5,617, \$4,670, and \$4,099 in state fiscal years 2018, 2017, and 2016, respectively) due to the following:

- The official station was not properly determined for Individual A, resulting in improper reimbursements of \$12,364 for mileage between the individual's home and official station (\$3,595, \$4,670, and \$4,099, in state fiscal years 2018, 2017, and 2016, respectively).
- Individuals B and C consistently utilized their official stations as the starting point for calculating miles for reimbursement, although, for some destinations, the distance would have been shorter had their residences been used. Additionally, there was no indication that these individuals traveled to their official stations prior to making the trips to the other locations. As a result, Individuals B and C received mileage overpayments of \$1,388 and \$165, respectively, in state fiscal year 2018.
- A duplicate payment of \$469 was noted for Individual D.

The following additional issues were also noted:

- There was no documentation to support a mileage reimbursement of \$260.
- Due to inadequate information available for three other individuals, ALA staff could not determine if mileage reimbursements were correctly calculated; as a result, overpayments may have occurred.

Matters Referred by Legislative Joint Auditing Committee

Pulaski County (Continued)

Administrative Office of the Courts (Audit Period: 7/1/17 - 6/30/18): (Continued)

**Status per Prosecuting Attorney:** AOC properly addressed issue.

Arkansas Department of Education (Audit Period: 7/1/17 - 6/30/18):

- 2019 The Arkansas Department of Education (ADE) and one school district paid professional fees totaling \$6,300 to a corporation owned by an ADE employee for services provided by the employee. The employee did not file the required income and financial interest disclosure statements with the Director of the Department of Finance and Administration (DFA) and the Secretary of State. These actions are inconsistent with Ark. Code Ann. § 21-8-203, 19-11-706, 19-11-1004; DFA Financial Management Guide Section R1-19-4-204; and ADE policy.

The Commissioner of Education and the Deputy Commissioner of Education commuted in state-owned vehicles between their homes and ADE offices from the time they took these positions until ALA staff questioned ADE about this practice. The Commissioner of Education was appointed by the State Board of Education at the recommendation of the Governor on March 25, 2015. The Deputy Commissioner of Education took this position on July 1, 2017.

Arkansas Code and DFA regulations require reimbursement to the State for all commuting and other personal use of state-owned vehicles at a rate of 42 cents per mile. DFA regulations require usage logs for every mile driven in state-owned vehicles. DFA and IRS regulations require the value of commuting and other personal mileage be reported as taxable fringe benefits to the employees using the vehicles.

The Commissioner and the Deputy Commissioner did not maintain vehicle usage logs as required or reimburse the State for commuting and other personal mileage. The amounts reported as taxable fringe benefits were not valued according to DFA and IRS regulations.

**Status per Prosecuting Attorney:** Administrative issue.

Arkansas Department of Health (Audit Period: 7/1/17 - 6/30/18):

- 2019 A review of eight employees receiving mileage reimbursements totaling \$90,410 during fiscal year 2018 revealed that one employee was overpaid \$664. This employee was reimbursed \$11,159 for driving 26,569 miles to provide computer and technical support to Agency staff at various locations. However, the employee was always reimbursed mileage between the destination and the official station, even when the employee's residence was closer to the destination and when the employee left from and/or returned to the residence. Reimbursements for these miles were not in compliance with state travel regulations and resulted in the employee being overpaid for 1,582 miles.

**Status per Prosecuting Attorney:** Administrative issue.

**Matters Referred by Legislative Joint Auditing Committee**

**Pulaski County (Continued)**

Arkansas Department of Higher Education (*Audit Period: 7/1/17 - 6/30/18*):

2019 The Chief Fiscal Officer of the State, under the authority of Ark. Code Ann. § 19-4-901-907 and related sections, issues rules concerning state-owned vehicles and publishes the State of Arkansas Vehicle Use and Management Handbook. Each use of any vehicle must be recorded as follows:

1. Day and time of use.
2. Starting location and destination.
3. Beginning and ending odometer mileage.
4. Cost and amount of fuel purchased, if any.
5. Any problems encountered with the vehicle.

This information must be maintained in the vehicle use log, a written record carried in every vehicle at all times. The Handbook also requires employees to reimburse the cost of their personal use of state vehicles.

The ADHE Director obtained commuter status in February 2018 and commuted in a state vehicle from May 2018 through May 2019; however, no vehicle use log was maintained. As a result, ALA staff could not determine an accurate amount of reimbursements for personal use of the vehicle.

***Status per Prosecuting Attorney: Administrative issue.***

Arkansas Department of Human Services (*Audit Period: 7/1/17 - 6/30/18*):

2019 Ark. Code Ann. § 19-4-1005(a) states that agencies are responsible for ensuring that state credit cards are used only for authorized expenditures. During our review of 105 WEX fuel card transactions, totaling \$7,578, ALA staff noted seven questionable charges totaling \$773. Agency personnel said they were unaware of these charges until ALA staff inquired about them. Subsequently, the Agency disputed the charges with WEX, although 17 months has passed since they were incurred, and is seeking reimbursement. Lack of adequate review over fuel card transactions could lead to the misappropriation of assets. In addition, the Agency was unable to provide supporting documentation and the applicable vehicle logs for 37 fuel card purchases totaling \$2,511, in violation of Ark. Code Ann. § 19-4-1103(c)(5).

***Status per Prosecuting Attorney: Civil issue.***

**Matters Referred by Legislative Joint Auditing Committee**

**Pulaski County (Continued)**

City of North Little Rock (Audit Period: 1/1/17 - 12/31/17): **[private audit]**

- 2019 Park Funds - In July 2016, the Parks Director discussed with the Finance Director a potential problem with revenue missing from various Parks facilities' rentals. Parks Department staff pieced together information that led them to believe a former employee had stolen Parks Rental Income. The Finance Director and Parks Director met with the Police Chief who assigned a detective to investigate. The former employee was arrested on November 21, 2016 and charged with Felony Theft of Property. It is alleged that the total amount of the theft is approximately \$172,007. At the time of this report, the employee pleaded guilty to a Class B felony on February 8, 2018 and was sentenced on March 8, 2018 to 3 years' probation and \$25,000 restitution.

**Status per Prosecuting Attorney:** Paula Smith pled guilty to felony theft or property, was sentenced to 36 months probation, and was ordered to pay fines , fees, and costs of \$770 and restitution of \$25,000. This matter is closed.

City of Wrightsville (Audit Period: 1/1/18 - 12/31/18):

- 2019 The City paid \$432 for nonbusiness purpose food and flowers, in apparent conflict with Ark. Const. art. 12, § 5.

Upon approval by the Mayor, the City paid advance salary of \$5,584 to the District Court Clerk, in noncompliance with Ark. Const. art. 12, § 5. The Mayor also approved allowing the employee to "repay" the City by withholding funds from her paycheck until the advance is paid in full; however, the agreed-upon repayment terms are not being followed. As of June 14, 2019, this employee still owed the City \$2,034.

During routine bank account reconciliation, the City discovered that an individual used City bank account information to process eight unauthorized drafts totaling \$23,830 from December 13, 2018 through January 7, 2019. Subsequently, the funds were recovered from the bank on February 22, 2019 .

**Status per Prosecuting Attorney:** Closed.

Little Rock School District (Audit Period: 7/1/17 - 6/30/18):

- 2019 In March 2018, the District discovered, and ALA staff verified, \$5,091 in unauthorized payments to a Bookkeeper during the period August 12, 2017 through December 22, 2017. The Bookkeeper, whose employment was suspended on May 30, 2018, submitted and received payment for time she did not work in an after-school program. The District recovered all of the misappropriated funds from the Bookkeeper's paychecks during May and June 2018, and the Bookkeeper's employment was terminated on July 19, 2018.

The District disbursed \$700 of general activity funds for employee Christmas gifts, in apparent conflict with Ark. Const. art 14, § 2, as interpreted in Op. Att'y Gen. no 91-411.

**Status per Prosecuting Attorney:** Closed.

**Matters Referred by Legislative Joint Auditing Committee**

**Pulaski County (Continued)**

North Little Rock School District (Audit Period: 7/1/17 - 6/30/18): **[Private audit]**

2019 Preschool Development Grants – High Quality Preschool Programs

Gross family income cannot exceed 200% of the federal poverty guidelines. The District does not maintain adequate supporting documentation for students that have completed the preschool program thus making it impossible to determine if eligibility requirements were properly met.

**Status per Prosecuting Attorney:** *Administrative issue.*

Pulaski County (Audit Period: 1/1/17 - 12/31/17):

2019 County Judge

The County paid \$11,185 for tickets to various banquets, in apparent conflict with Ark. Const. art. 12 § 5, as interpreted by Op. Att'y Gen. no. 1992-099.

The County paid \$25,000 to the Pulaski County Imagination Library, a 501(c)(3) non-profit organization, without a contract for services, in apparent conflict with Ark. Const. art. 12, § 5, which states, in part "No...county...shall...appropriate money for...any corporation, association, institution, or individual.

**Status per Prosecuting Attorney:** *County Judge has taken remedial measures. Closed.*

Pulaski County (Audit Period: 1/1/15 - 12/31/15):

2017 County Judge

Wanda Wyatt, a Road Department employee, was charged with 73 counts of theft of property and 80 counts of computer fraud by the Pulaski County Sheriff's Department on June 21, 2016, the same day her employment ended. According to the arrest report, Wyatt fabricated accident reports involving County vehicles, submitted the reports to Central Arkansas Risk Management Association (CARMA), the County's insurance provider, and deposited insurance payments totaling \$248,530 into her personal bank account.

**Status per Prosecuting Attorney:** *As of June 24, 2020, Wyatt remains in patient therapy and is unlikely to be restored. Next report is January 2021.*

Runyan Sanitary Sewer Improvement District No. 211 (Audit Period: 1/1/18 - 12/31/18):  
**[private audit]**

2019 The same individual who is responsible for general ledger activity, including posting and writing checks also reconciles the bank statements. During a routine investigation into an inquiry from a maintenance contractor, the operations manager discovered the bookkeeper had paid herself and fraudulently recorded the check as payable to the contractor. The fraudulent transactions totaled \$165,935 for the year ended December 31, 2018.

**Status per Prosecuting Attorney:** *Under review.*

**Matters Referred by Legislative Joint Auditing Committee**

**Pulaski County (Continued)**

University of Arkansas at Little Rock (*Audit Period: 7/1/18 - 6/30/19*):

2019 The University of Arkansas System Internal Audit Department (IAD) conducted an audit of rental property agreements and payment information, provided by management, for the University's 17 rental properties for the period July 1, 2017 through June 30, 2018. Property management is handled by multiple departments, and records are maintained manually. IAD noted the following:

- Six previous tenants owe \$10,140, and one current tenant owes \$148 for a total of \$10,288 in past due rental payments. As of the report date, the six tenants still owe \$10,140.
- Two current Campus Living employees did not transfer utilities into their names upon signing lease agreements, and the University improperly paid the utilities for these two properties for 10 months before the error was noted. The employees reimbursed the University through payroll deduction.

***Status per Prosecuting Attorney: Civil matter.***



## Seventh Judicial District

*Grant and Hot Spring Counties*

Judicial District Population: 52,036  
Circuit Judges: 2

Teresa Howell  
Prosecuting Attorney

### Matters Referred by Legislative Joint Auditing Committee

#### Grant County

Grant County (*Audit Period: 1/1/18 - 12/31/18*):

- 2019 Cash receipts issued at the transfer station exceeded cash remitted to the Treasurer's office by \$1,716 during the period January 1, 2018 through March 31, 2019. It appears that unreceipted checks were included in the remittances to conceal the unaccounted for cash.

In addition, the amount was altered on some receipt copies and several cash receipts were voided without explanations or the original copies being attached. Therefore, the actual amount of unaccounted for funds could exceed the amount shown above.

**Status per Prosecuting Attorney:** *Due to a conflict of interest, this matter was turned over to a Special Prosecutor.*

**Status per Special Prosecuting Attorney:** *Although bookkeeping practices were not in keeping with accepted accounting practices and funds were mismanaged, there does not appear to be evidence of criminal intent to defraud or take money belonging to the County. Based on the lack of criminal intent, there is insufficient evidence to establish probable cause for an arrest or any criminal charges. The County Judge was notified of the situation and took remedial action.*

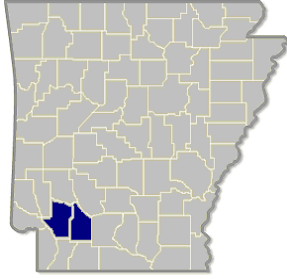
#### Hot Spring County

Town of Perla (*Audit Period: 1/1/18 - 12/31/18*):

- 2019 The City loaned an employee \$2,500 on August 10, 2018. The City Council agreed on August 13, 2018, the loan be paid back over a period of one to two years. In September 2018, the City began withholding \$138 from the employee's paycheck every month. This arrangement appears to conflict with Ark. Const. art. 12, § 5, which states, in part, "No county, city, town or other municipal corporation, shall... loan its credit to, any corporation, association, institution or individual."

**Status per Prosecuting Attorney:** *While the decision of the City Council to provide a salary advancement to an employee may have been in violation of the Arkansas Constitution, the PA does not see proof of criminal action by any person in connection with the monetary advancement for the city employee, and there is insufficient evidence to establish probable cause for an arrest.*





# Eighth Judicial District-North

*Hempstead and Nevada Counties*

Judicial District Population: 29,784  
Circuit Judges: 3

Christi McQueen  
Prosecuting Attorney

## Matters Referred by Legislative Joint Auditing Committee

### Hempstead County

University of Arkansas Community College at Hope - Texarkana (*Audit Period: 7/1/18 - 6/30/19*):

- 2019 The University of Arkansas System Internal Audit Department (IAD) conducted an audit regarding a loss of \$1,889 as the result of a payroll identity theft for the period February 26, 2019 through March 27, 2019. Working with their Information Technology (IT) Department, management reported that an employee's email account was compromised, which the IT Director later confirmed. Through an email with documentation sent to the Payroll Department, the employee's direct deposit information was changed to an apparent fraudulent account. Management filed a report with the Hope Police Department on March 18, 2019, and indicated they believe this was an isolated incident and no other systems or emails were affected.

**Status per Prosecuting Attorney:** *The Hope Police Department has no suspects or leads in this incident. No charges will be filed at this time.*

### Nevada County

Bodcaw Water System (*Audit Period: 1/1/18 - 12/31/18*): **[Private audit]**

- 2019 Several cash disbursements were not properly documented/authorized. They are summarized as follows:

Name	Description	Total
Cade Woodard	Mileage	\$ 150
Cade Woodard	Uniform Allowance	500
James May	Mileage	10,200
James May	Uniform Allowance	500
Larry Hicks	Contract Labor	2,270
Larry Hicks	Mileage	6,000
Larry Hicks	Special Projects	14,746
Larry Hicks	Uniform Allowance	500
Rebecca Hall	Mileage	2,460
Rebecca Hall	Uniform Allowance	500

Matters Referred by Legislative Joint Auditing Committee

Nevada County (Continued)

Bodcaw Water System (Audit Period: 1/1/18 - 12/31/18): **[Private audit]** (Continued)

**Status per Prosecuting Attorney:** The Clerk who made the improperly documented/authorized disbursements resigned in December 2019, and former Mayor Larry Hicks died in February 2019. The PA spoke to the current Mayor and was advised that the Town has since revised its policy for reimbursable expenses and now requires that proper documentation be submitted prior to reimbursement. The Mayor stated that she believes the claimed expenses were legitimate; the issue was lack of proper documentation. There is no evidence of a criminal act. No further action will be taken.

Nevada County (Audit Period: 1/1/17 - 12/31/17):

2019 County Judge

The County disbursed \$5,000 to the Nevada County Depot and Museum, a nonprofit organization, without an authorizing contract, in conflict with the "public purpose" doctrine and Ark. Const. art. 12, § 5, which states, in part, "No . . . County . . . Shall . . . obtain or appropriate money for, or loan its credit to, any corporation, association, institution or individual."

**Status per Prosecuting Attorney:** Appropriation Ordinance 2017-8 entitled "An Appropriation Ordinance Authorizing Expenditure of \$5,000 toward the Acquisition of Prairie D'Ane National Historic Landmark," which was adopted by the Nevada County Quorum Court on August 8, 2017, states, in part, that "A contribution from Nevada County toward acquisition of said lands would be an expenditure for a public purpose . . . the Nevada County Treasurer is directed to disburse \$5,000 from County General to the Nevada County Depot and Museum to be used toward the purchase of the Prairie D' Ane National Historic Landmark." Because the disbursement was for a public purpose, no further action will be taken.

Town of Cale (Audit Period: 1/1/17 - 12/31/17):

2018 Mayor

The Town purchased a brush truck from an alderman for \$15,000, paid the alderman \$500 for labor to replace the bed on the truck, and sold a different brush truck to this alderman for \$300. The Council did not pass an authorizing ordinance for any of these transactions, in noncompliance with Ark. Code Ann. § 14-42-107.

**Status per Prosecuting Attorney:** The Council subsequently adopted the proper ordinance. There was no criminal activity involved. No further action will be taken.



## Eighth Judicial District-South

*Lafayette and Miller Counties*

Judicial District Population: 49,881  
Circuit Judges: 3

Stephanie Barrett  
Prosecuting Attorney

### Matters Referred by Legislative Joint Auditing Committee

#### Lafayette County

*City of Lewisville (Audit Period: 1/1/18 - 12/31/18):*

- 2019 It came to our attention that an individual used City bank account information to process unauthorized withdrawals totaling \$23,732 from December 5 - 26, 2018. Entity personnel discovered the unauthorized withdrawals upon reconciliation of the affected bank accounts. The funds were recovered from the bank on June 26, 2019.

***Status per Prosecuting Attorney:*** *Perpetrator is unknown. Funds were recovered from the bank on June 26, 2019. Criminal case has not been solved. No charges filed.*

*Lewisville District Court (Audit Period: 1/1/18 - 8/30/18):*

- 2019 Review of receipts and deposits for the period January 1, 2018 through August 31, 2018, revealed unaccounted for cash totaling \$8,285 in the City Account. In addition, a \$1,000 cash payment collected by a City police officer and reportedly submitted to the Court was not receipted, deposited, or entered in the computer system. In an apparent attempt to conceal the unaccounted for cash, numerous unreceipted checks were included in bank deposits, and an employee made numerous improper adjustments to defendant accounts in the computer system.

***Status per Prosecuting Attorney:*** *Former District Court Clerk Amanda Sundberg was arrested on September 5, 2019, and charged with one count of theft of property over \$5,000 but less than \$25,000 and one count of computer fraud. A pre-trial hearing is set for November 2, 2020.*

#### Miller County

*Genoa Central School District (Audit Period: 7/1/17 - 6/30/18):*

- 2019 At the request of the District, a private certified public accounting firm performed agreed upon procedures on payroll transactions for the fiscal year ended June 30, 2018. The report revealed that the former District Treasurer was paid at the incorrect step of the salary schedule, resulting in a salary overpayment. Although the report did not specify the overpayment amount, the District determined, and ALA staff verified, a gross overpayment amount totaling \$1,927 and a net overpayment amount totaling \$1,559.

Matters Referred by Legislative Joint Auditing Committee

Miller County (Continued)

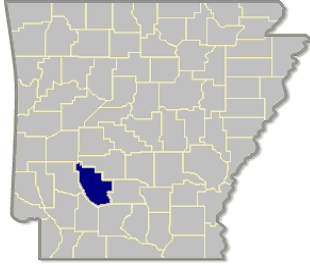
Genoa Central School District (Audit Period: 7/1/17 - 6/30/18): (Continued)

**Status per Prosecuting Attorney:** *The former District Treasurer received an overpayment as a mistake. She has repaid \$1,125 and owes an additional \$433. It is anticipated she will repay the remaining monies.*

Miller County (Audit Period: 1/1/18 - 12/31/18):

2019 While performing bank account reconciliation, the County discovered that an individual used County bank account information to make 8 unauthorized withdrawals totaling \$20,402, during November and December 2018. These funds were subsequently recovered from the bank.

**Status per Prosecuting Attorney:** *Based on an investigation by the Texarkana Arkansas Police Department, it was found that the funds were reimbursed to the bank and the County. The police also reported that the funds were cashed outside the Texarkana area. Therefore, with no offense occurring in Texarkana, the case was closed.*



## Ninth Judicial District-East

Clark County

Judicial District Population: 22,320  
Circuit Judge: 1

Dan Turner  
Prosecuting Attorney

### Matters Referred by Legislative Joint Auditing Committee

#### Clark County

City of Amity (Audit Period: 1/1/18 - 12/31/18):

- 2019 While performing bank account reconciliation, the City discovered that, on November 20 and 23, 2018, an individual used City bank account information to make two unauthorized withdrawals of \$2,356 and \$2,036, respectively. These funds were subsequently recovered from the bank.

**Status per Prosecuting Attorney:** *The PA referred this matter to the Clark County Sheriff's Department for further investigation. The funds were recovered, and there was no criminal action to prosecute or take further action upon.*



## Ninth Judicial District-West

Howard, Little River, Pike, and Sevier Counties

Judicial District Population: 53,186  
Circuit Judge: 2

Bryan Chesshir  
Prosecuting Attorney

### Matters Referred by Legislative Joint Auditing Committee

#### Howard County

City of Mineral Springs (Audit Period: 1/1/18 - 12/31/18):

- 2019 The City paid \$5,350 in wages and utilized City equipment to mow private citizens' yards, in violation of the "public purpose" doctrine and Ark. Const. art 12, § 5, which states, in part, "No . . . City . . . shall obtain or appropriate money for . . . any corporation, association, institution, or individual."

**Status per Prosecuting Attorney:** The PA has requested an Arkansas State Police investigation and is awaiting their findings.

#### Pike County

City of Glenwood (Audit Period: 1/1/18 - 12/31/18):

- 2019 While performing bank account reconciliation, the City discovered that an individual used City bank account information to make six unauthorized withdrawals of \$18,858 on July 2, 2018, and one unauthorized withdrawal of \$2,065 on December 6, 2018. These funds were subsequently recovered from the bank.

**Status per Prosecuting Attorney:** This matter was turned over to law enforcement to investigate. At this time, no person or persons have been identified by law enforcement as to be the offender(s).

City of Murfreesboro (Audit Period: 1/1/18 - 12/31/18):

- 2019 It came to our attention that on December 11, 2018, an individual used City bank account information to process an unauthorized withdrawal totaling \$2,385. Entity personnel discovered the unauthorized withdrawal upon reconciliation of the affected bank account, and the funds were recovered from the bank.

**Status per Prosecuting Attorney:** This matter was turned over to law enforcement to investigate. At this time, no person or persons have been identified by law enforcement as to be the offender(s).

Matters Referred by Legislative Joint Auditing Committee

Pike County (Continued)

Pike County (Audit Period: 1/1/18 - 12/31/18):

- 2019 While performing bank reconciliations, the County Treasurer discovered that an individual used County bank account information to make an unauthorized withdrawal of \$2,110, on November 20, 2018. These funds were subsequently recovered from the bank.

**Status per Prosecuting Attorney:** *This matter was turned over to law enforcement to investigate. At this time, no person or persons have been identified by law enforcement as to be the offender(s).*

Sevier County

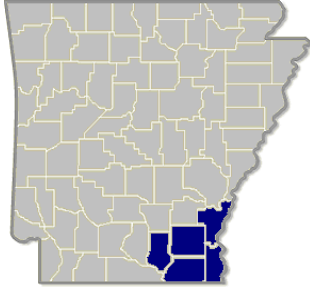
Cossatot Community College of the University of Arkansas (Audit Period: 7/1/18 - 6/30/19):

- 2019 The University of Arkansas System Internal Audit Department (IAD) conducted an audit regarding a loss of \$1,322 as the result of a payroll identity theft for the period January 23, 2019 through March 31, 2019. Working with their Information Technology (IT) Department, management reported that an employee's email account was compromised, which the IT Director later confirmed. Through an email with attached documentation sent to the Payroll Department, the employee's direct deposit information was changed to an apparent fraudulent account. Management filed a report with the University Police Department on February 28, 2019, and indicated they believe this was an isolated incident and no other systems or emails were affected. Subsequently, on April 8, 2019, the University recovered \$1,322 from the bank.

**Status per Prosecuting Attorney:** *This matter was turned over to law enforcement to investigate. At this time, no person or persons have been identified by law enforcement as to be the offender(s).*

**Note:** No matters were referred for Little River County.





## Tenth Judicial District

*Ashley, Bradley, Chicot, Desha, and Drew Counties*

Judicial District Population: 70,118  
Circuit Judge: 5

Thomas Deen  
Prosecuting Attorney

### Matters Referred by Legislative Joint Auditing Committee

#### Ashley County

City of Hamburg (Audit Period: 1/1/18 - 12/31/18):

2019 Mayor

Funds totaling \$573 were improperly disbursed on behalf of the Mayor for the purchase of a cell phone and wireless services without Council approval.

**Status per Prosecuting Attorney:** *No charges have been filed at this time.*

City of Wilmot (Audit Period: 1/1/17 - 12/31/17):

2019 It came to our attention that on November 21, 2018, an individual used City bank account information to process an unauthorized withdrawal totaling \$2,314. Entity personnel discovered the unauthorized withdrawal upon reconciliation of the affected bank account, and the funds were recovered from the bank.

**Status per Prosecuting Attorney:** *No charges have been filed at this time.*

#### Bradley County

Bradley County (Audit Period: 1/1/18 - 12/31/18):

2019 The County disbursed \$2,400 to the Bradley County Historical Museum, in apparent conflict with the "public purpose" doctrine and Ark. Const. art. 12, § 5, as interpreted by the Attorney General in Op. Att'y Gen. no. 1992-099.

The County overpaid principal and interest of \$3,097 on a note payable to two individuals. The full amount of overpayment was returned to the County on July 28, 2019.

**Status per Prosecuting Attorney:** *No charges have been filed at this time.*

**Matters Referred by Legislative Joint Auditing Committee**

**Bradley County (Continued)**

City of Warren (Audit Period: 1/1/18 - 12/31/18):

- 2019 The City paid \$12,341 to the Fire Chief upon retirement for unused sick leave. Of this amount, \$3,428 was paid in excess of the amount allowed by City policy and by Ark. Code Ann. § 14-53-108, which states, "payment for unused sick leave in the case of a firefighter, upon retirement or death, shall not exceed three (3) months' salary unless the city, by ordinance, authorizes a greater amount, but in no event to exceed four and one-half months' salary."

**Status per Prosecuting Attorney:** No charges have been filed at this time.

**Chicot County**

City of Dermott (Audit Period: 1/1/17 - 12/31/17):

2019 Mayor

Unaccounted for funds totaling \$17,183 were noted as follows:

- Cash receipts for the General, Street, and Water Department Funds exceeded cash deposits by \$15,594 for the period January 1, 2016 through April 30, 2017. Unreceipted checks were included in the bank account deposits, and a clerk made numerous adjustments to customer accounts in the Water Department computer system in an apparent attempt to conceal the unaccounted for cash.
- Receipts for the General and Water Department Funds exceeded bank deposits by \$1,589 for the period May 1, 2017 through December 31, 2017. The person(s) responsible for these unaccounted for funds could not be determined.

**Status per Prosecuting Attorney:** The PA requested an investigation into these matters by Arkansas State Police.

**District Court Clerk**

The District Judge discovered, and ALA staff verified, unauthorized disbursements totaling \$9,449 in the District Court bank account during the period August 1, 2017 through August 31, 2018. These disbursements, which consisted of personal online purchases (\$6,450) and utility payments (\$2,999), appeared to have been made by the former District Court Clerk. The bank refunded certain charges totaling \$672 leaving a net shortage of \$8,777 in the account.

In addition, a \$70 cash receipt issued by the former District Court Clerk on August 28, 2017, was not entered in the computer system and was not deposited in the District Court bank account.

**Status per Prosecuting Attorney:** Vache Gaines entered a negotiated plea of guilty to theft of property, was sentenced to 60 months probation, and was ordered to pay \$440 in court fees and restitution to be determined.

**Matters Referred by Legislative Joint Auditing Committee**

**Chicot County (Continued)**

City of Eudora (Audit Period: 1/1/18 - 12/31/18):

2019 The City disbursed funds totaling \$1,698 in apparent conflict with the “public purpose” doctrine and Ark. Const. art. 12, § 5, as interpreted by the Attorney General in Op. Att’y Gen. nos. 91-410 and 92-099:

- \$1,398 purchase of fireman gifts and plaques given as service awards.
- \$300 for a bereavement donation.

***Status per Prosecuting Attorney:*** No charges have been filed at this time.

**Desha County**

McGehee School District (Audit Period: 7/1/17 - 6/30/18):

2019 A School Board member served on the Board of Directors for a bank with which the District did business, without approval from the School Board and the Arkansas Department of Education, as required by Ark. Code Ann. § 6-24-105.

***Status per Prosecuting Attorney:*** No charges have been filed at this time.

**Drew County**

City of Monticello (Audit Period: 1/1/17 - 12/31/17):

2019 Mayor

The City awarded a bid of \$45,000 to the Boys and Girls Club of Drew County for youth activity services in 2017 without executing a signed contract with the organization and, additionally, paid \$510 to the local Chamber of Commerce for dues, in apparent conflict with Ark. Const. art. 12 §5, as interpreted by Op. Att’y Gen. no. 1992-099. A similar finding was issued in the prior report.

ALA staff noted the following disbursements in apparent conflict with the public purpose doctrine and Ark. Const. art. 12 § 5, as interpreted by Op. Att’y Gen. no. 1992-099:

- The City entered into a contract with Monticello Economic/Industrial Development Commission, Inc. (MEDC), for promoting and assisting in economic growth and development in Monticello and the surrounding area. MEDC employees participate in the City’s health insurance plan. Although MEDC reimburses the City for its employees’ premium costs, the City pays all indirect cost for the group policy, such as administrative fees, which benefit MEDC.
- The City paid utilities for and housed MEDC, an entity unrelated to the City; these expenses were not included in the contract between the two parties.

**Matters Referred by Legislative Joint Auditing Committee**

**Drew County (Continued)**

City of Monticello (Audit Period: 1/1/17 - 12/31/17): (Continued)

- The City housed the local Chamber of Commerce, an entity unrelated to the City, without a contract for services.

District Court Clerk

ALA staff noted the following deficiency with District Court, in noncompliance with Ark. Code Ann. § 16-10-209 and other proper accounting procedures: Comparison of receipts with deposits for 2017 revealed unaccounted for funds of \$700. Additionally, a \$25 check from the City Police Department was cashed and was not deposited into the District Court bank account.

***Status per Prosecuting Attorney:*** No charges have been filed at this time.

Drew County (Audit Period: 7/1/17 - 6/30/18):

2019 In 2018, the County disbursed funds totaling \$20,850 as noted below, in apparent conflict with the “public purpose” doctrine and Ark. Const. art. 12, § 5, as interpreted by the Attorney General in Op. Att’y Gen. nos. 91-410 and 92-09:

- \$7,600 to Monticello Senior Citizens.
- \$6,500 to the Boys & Girls Club of Drew County.
- \$3,500 to Options Domestic Shelter.
- \$3,000 to the Arkansas State Court Appointed Special Advocates Association.
- \$250 to the Area Agency on Aging of Southeast Arkansas.

***Status per Prosecuting Attorney:*** No charges have been filed at this time.

University of Arkansas at Monticello (Audit Period: 7/1/18 - 6/30/19):

2019 The University of Arkansas System Internal Audit Department (IAD) conducted an audit regarding a loss of \$1,195 as the result of a payroll identity theft for the period December 14, 2018 through December 31, 2018. An employee contacted the Payroll Department after she did not receive her payroll direct deposit on December 14, 2018. After verifying that all payroll processes ran correctly and there were no issues with the direct deposit file sent to the bank, the Payroll Department staff inquired about the changes made to the employee’s direct deposit information in the self-service portal and found that this information changed from a local bank to an online bank. The Chief Information Officer noted the employee’s self-service portal and email accounts were hacked, and the employee did not make the changes.

***Status per Prosecuting Attorney:*** No charges have been filed at this time.



# Eleventh Judicial District-East

Arkansas County

Judicial District Population: 17,486  
Circuit Judges: 1

Tim Blair  
Prosecuting Attorney

## Matters Referred by Legislative Joint Auditing Committee

### Arkansas County

Arkansas County (Audit Period: 1/1/18 - 12/31/18):

- 2019 The County paid \$3,000 to the Imagination Library of Arkansas County, a 501(c) (3) non-profit organization, without a contract for services, in apparent conflict with Ark. Const. art. 12 § 5, which states, in part "No...county...shall...appropriate money for...any corporation, association, institution, or individual."

**Status per Prosecuting Attorney:** An investigation was conducted concerning the payment of \$3,000 without a contract. The County Library Board provided contracts with Imagination Library. No crime was committed. This matter is being closed.

City of Stuttgart (Audit Period: 1/1/18 - 12/31/18):

- 2019 On December 5, 2018 and December 14, 2018, an individual used City bank information to process two unauthorized withdrawals totaling \$4,706. The bank immediately notified entity personnel of the unauthorized withdrawals, and funds were recovered from the bank.

**Status per Prosecuting Attorney:** An inquiry was made to the Stuttgart Police Department concerning their investigation, and the matter is still pending. The Department has followed all possible leads and have not been able to acquire sufficient information to make an arrest. Therefore, this matter will remain open in my office to see if further information becomes available. This matter will be closed when an arrest is made or when the statute of limitations (3 years) expires.

Town of St. Charles (Audit Period: 1/1/17 - 12/31/17):

- 2019 Mayor

The Town paid \$2,413 to an Alderman for services without an authorizing ordinance, in apparent conflict with Ark. Code Ann. § 14-42-107.

**Status per Prosecuting Attorney:** An investigation was conducted and determined that the Council, acting in the best interest of the Town, hired an alderman, who owns and operates a mowing service, to do the Town's mowing. They inadvertently did so without passing the appropriate ordinance. No criminal action was found, and this matter has been closed.



# Eleventh Judicial District-West

Jefferson and Lincoln Counties

Judicial District Population: 79,848  
Circuit Judges: 6

S. Kyle Hunter  
Prosecuting Attorney

## Matters Referred by Legislative Joint Auditing Committee

### Jefferson County

City of Pine Bluff (*Audit Period: 1/1/18 - 12/31/18*):

- 2019 Disbursements from the Police Special Fund included \$3,000 in cash withdrawals and numerous debit card transactions, in noncompliance with Ark. Code Ann. § 14-59-105. These disbursements included \$1,560 for alcoholic beverages for the policemen's appreciation banquet, in apparent conflict with Ark. Const. art. 12, § 5, as interpreted by Op. Att'y Gen. no. 91-410.

***Status per Prosecuting Attorney:*** The Mayor advised that the Police Chief at the time has been replaced, and those involved no longer have access to the Fund. There is no theft suspected, but there was also a lack of proper documentation, which has been corrected. No further action will be taken.

City of Redfield (*Audit Period: 1/1/18 - 12/31/18*):

- 2019 On November 28, 2018, an unidentified individual used the City's bank account information to process an unauthorized withdrawal of \$2,210. Funds were recovered from the bank on December 20, 2018.

***Status per Prosecuting Attorney:*** No suspect was ever identified; therefore, no further action is being pursued at this time.

Dollarway School District (*Audit Period: 7/1/17 - 6/30/18*):

- 2017 From November 27, 2017 through December 25, 2017, an unidentified individual used District bank account information to process 11 unauthorized withdrawals totaling \$27,225 from the District's bank account. As of report date, these funds have been recovered from the bank.

***Status per Prosecuting Attorney:*** A State Police investigation revealed that 11 deposits were made in seven states across the country. State Police were not able to determine the person who accessed the District's account and made the withdrawals. It was determined to be too costly to further investigate and prosecute the people identified across the country where deposits were made. Therefore, no charges will be filed.

Matters Referred by Legislative Joint Auditing Committee

Jefferson County (Continued)

Jefferson County (Audit Period: 1/1/18 - 12/31/18):

2019 The County made payments totaling \$18,722 to the following organizations, in violation of the "public purpose" doctrine and Ark. Const. art. 12, § 5, which states, in part, "No...county ...shall obtain or appropriate money for...any corporation, association, institution, or individual":

- \$10,000 to Hestand Stadium Fairgrounds
- \$7,122 to Eminent Financial
- \$1,600 to Grassroots Consulting

A similar finding was issued in the prior report.

The County paid a full-time County Judge's employee \$3,442 for additional duties as Election Commission Coordinator without adequately documenting the hours worked for the additional duties. A similar finding was issued in the prior report.

The County Judge issued Jefferson County Court Order 2019-7, dated January 18, 2019, to refund property taxes paid in 2018 to himself, in apparent conflict with Ark. Code Ann. § 16-15-111, which states, in part..., "No judge of the county court shall sit on the determination of any case in which he or she is interested in the outcome...."

The former Sheriff, who is now the County Judge, and a Sheriff's Office employee were paid \$14,451 and \$3,679, respectively, for unused sick leave upon their departure from employment, in apparent conflict with County and Sheriff's Office personnel policies. Of these payments, only the \$14,451 paid to the former Sheriff was approved by Quorum Court ordinance.

During the process of correcting a payroll deduction error, the County incorrectly refunded \$692 to an employee.

**Status per Prosecuting Attorney:** *The matters relating to Hestand Stadium, Eminent Financial, and Grassroots Consulting were related to the matters investigated by the State Police regarding the 2018 audit. The payments to Eminent Financial and Grassroots Consulting were for services to the County and not criminal, even though, arguably, not wise use of county resources. The donation to Hestand Stadium was for a good local cause but an improper use of public funds. The other issues in the audit are violations of law and policy and have been addressed so as not to occur again in the new administration. The County Judge at the time resigned after pleading guilty to felony charges in federal court for which he awaits sentencing. The issue involving an improper refund of \$692 to a former employee should be handled as a civil matter since the employee claims that the County owes him additional money. No further action is being taken on these matters.*



Matters Referred by Legislative Joint Auditing Committee

Jefferson County (Continued)

Jefferson County (Audit Period: 1/1/17 - 12/31/17):

2018 County Judge

The County made payments totaling \$17,125 to the following organizations, in violation of the “public purpose” doctrine and Ark. Const. art. 12, § 5, which states, in part, “No...county...shall...obtain or appropriate money for...any corporation, association, institution, or individual”:

- \$8,125 to Grassroots Consulting.
- \$5,000 to Community Empowerment Council.
- \$2,000 to De’Nes Productions.
- \$2,000 to Salvation Army of Pine Bluff.

County Judge and Sheriff

The County paid an individual from a full-time position as Major in the Sheriff’s Department (\$58,178) and an additional position as part-time road employee (\$9,600). The County did not adequately document the hours worked for the part-time road position.

**Status per Prosecuting Attorney:** *An investigation by State Police determined that the donations were improper but not criminal. The other payments were for a legitimate purpose but arguably not a wise use of county money or not approved through proper government channels. The employee of the Sheriff’s office was contracted to perform specific tasks while off-duty from the Sheriff’s office, which he performed. The method of paying him was not handled properly by the County Judge and his staff. The County Judge resigned from office in early 2018 after pleading guilty to federal charges involving accepting bribes while a state senator. He is still awaiting sentencing. No criminal charges will be filed regarding these matters.*

Pine Bluff School District (Audit Period: 7/1/17 - 6/30/18):

2019 Review of timesheets for two District employees who provided security and painting services revealed the following:

- 145 days with 20 or more hours charged per day, including 32 days with over 24 hours charged in a single day.
- 100 hours charged for painting at District campuses while providing security on out-of-town trips.

During interviews with ALA staff, the approving supervisor indicated, and ALA staff confirmed, that his signature was forged on some of the timesheets, which were used to support wages totaling \$69,781 (\$35,696 paid to Employee A and \$34,085 paid to Employee B) for painting services. In addition, both employees acknowledged that the hours reflected on these timesheets not entitled to the pay they received for these hours.

Matters Referred by Legislative Joint Auditing Committee

Jefferson County (Continued)

Pine Bluff School District (Audit Period: 7/1/17 - 6/30/18): (Continued)

**Status per Prosecuting Attorney:** Bennie Shelton III was charged with 28 counts of felony second degree forgery and one count of theft of property. Jeffrey McClure was charged with 26 counts of felony second degree forgery and one county of theft of property. These cases are set for trial on March 31, 2021.

Lincoln County

City of Star City (Audit Period: 1/1/17 - 12/31/17):

2019 Mayor

The City agreed to sell property to an employee for \$2,500. A contract dated May 18, 2018, requires monthly payments of \$50, due on the first of each month, until the amount is paid in full. On May 17, 2018, the City began withholding \$25 from the employee's paycheck every other week. This arrangement appears to conflict with Ark. Const. art. 12, § 5, which states, in part, "No county, city, town or other municipal corporation, shall...loan its credit to, any corporation, association, institution or individual."

**Status per Prosecuting Attorney:** The PA visited with the Mayor concerning this issue. He was unaware this was a problem and agreed to attempt to solve it. No further action will be taken.



## Twelfth Judicial District

*Sebastian County*

Judicial District Population: 127,827  
Circuit Judges: 7

Daniel Shue  
Prosecuting Attorney

### Matters Referred by Legislative Joint Auditing Committee

#### Sebastian County

City of Hartford (*Audit Period: 1/1/17 - 12/31/17*):

- 2019    General Fund receipts totaling \$815 were not deposited for the period January 1, 2017 through December 31, 2018. Subsequent to the report date, funds totaling \$269 were deposited by the Recorder/Treasurer.

***Status per Prosecuting Attorney:*** *Based on the statute of limitations and the response the PA received from the City, the PA does not believe the State can prove beyond a reasonable doubt that a theft of property occurred. Therefore, no further action will be taken.*



# Thirteenth Judicial District

Calhoun, Cleveland, Columbia, Dallas, Ouachita, and Union Counties

Judicial District Population: 105,645  
Circuit Judges: 6

Jeff Rogers  
Interim Prosecuting Attorney

## Matters Referred by Legislative Joint Auditing Committee

### Calhoun County

City of Hampton (Audit Period: 1/1/18 - 12/31/18):

- 2019 On November 19, 2018, an individual used City bank account information to process an unauthorized withdrawal totaling \$2,285. Bank personnel initially discovered the unauthorized withdrawal, and the funds were recovered from the bank on December 3, 2018.

**Status per Prosecuting Attorney:** The City advised that the unauthorized withdrawal was the result of an online hack. All funds were recovered. This matter is considered closed.

Hampton School District (Audit Period: 7/1/17 - 6/30/18):

- 2019 The District brought to our attention that, in June 2018, a fraudulent charge of \$899 was made to the District credit card. In October 2018, the credit card company credited the District's account for \$899.

**Status per Prosecuting Attorney:** The District's Business Manager advised that the charge was flagged as fraudulent due to an issue with the vendor and not improper conduct by any District employee. The credit card company credited the District's account for the full amount. This matter is considered closed.

Town of Harrell (Audit Period: 1/1/17 - 12/31/18):

2019 Mayor

1. In 2017, the Town disbursed funds totaling \$475 in apparent conflict with the "public purpose" doctrine and Ark. Const. art. 12, § 5, as interpreted by the Attorney General in Op. Att'y Gen. nos. 91-410 and 92-099, as follows:
  - \$250 to Calhoun County for Hogskin Festival sponsorship.
  - \$225 to Hampton High School for an ad.

**Status per Prosecuting Attorney:** The PA will send a caution letter to the Mayor advising against this practice in the future. This matter is considered closed.

Matters Referred by Legislative Joint Auditing Committee

Calhoun County (Continued)

Town of Harrell (Audit Period: 1/1/17 - 12/31/18): (Continued)

2. The Town passed Resolution 2018-16 allowing an individual to lease an abandoned street and place a mobile home on it; however, as of report date, the individual had not paid rent due to the Town. This situation appears to conflict with Ark. Const. art. 12, § 5, which states, in part, “No county, city, town or other municipal corporation, shall...loan its credit to, any corporation, association, institution or individual.”

**Status per Prosecuting Attorney:** The PA will send a caution letter to the Mayor advising against this practice in the future. This matter is considered closed.

3. In 2018, the Town disbursed funds totaling \$1,905 in apparent conflict with the “public purpose” doctrine and Ark. Const. art. 12, § 5, as interpreted by the Attorney General in Op. Att’y Gen. nos. 91-410 and 92-099, as follows:
  - \$250 to Calhoun County for Hogskin Festival sponsorship.
  - \$250 to Hampton Football program for a sign and live stream ad.
  - \$225 to Hampton High School for an ad.
  - \$500 to Calhoun County Park Board for an ad for high school rodeo.
  - \$180 to Calhoun County Fair Association for an ad.
  - \$500 to Arkansas Run for the Fallen.

**Status per Prosecuting Attorney:** The PA will send a caution letter to the Mayor advising against this practice in the future. This matter is considered closed.

4. In 2017, the Town paid \$650 to a Town council member for entertainment at the Harrell Volunteer Fire Department fundraiser without an authorizing ordinance, in apparent conflict with Ark. Code Ann. § 14-42-107.

**Status per Prosecuting Attorney:** The PA will send a caution letter to the Mayor advising of the necessity of an ordinance authorizing such disbursements. This matter is considered closed.

Matters Referred by Legislative Joint Auditing Committee

Cleveland County

City of Kingsland (Audit Period: 1/1/17 - 12/31/17):

2019 Mayor and Recorder/Treasurer

Review of credit card charges and other selected disbursements revealed the following improper disbursements totaling \$14,253 primarily for the period January 1, 2016 through August 31, 2018:

- \$7,214 for personal expenses incurred by former Recorder/Treasurer Leann Huntley, which included vacation expenses, clothing, personal utilities, groceries, tobacco, restaurant meals, and other personal items.
- \$5,632 for payments to vendors without a documented business purpose.
- \$709 for credit card late fees and interest charges.
- \$698 for reimbursements to Huntley without a documented business purpose.

Credit card statements for the period January through September 2016 could not be located or provided by the credit card company. Therefore, the actual amount of improper charges could be higher than the amount reflected above. During an interview with law enforcement personnel, Huntley, who resigned in August 2018, acknowledged using the City's credit card for personal expenses.

**Status per Prosecuting Attorney:** On February 27, 2019, the former Recorder/Treasurer Leann Huntley was charged with felony theft of property, felony abuse of office, and felony fraudulent use of a credit card for the above-described improper disbursements. On September 10, 2019, she entered a negotiated plea of guilty to the theft of property charge, paid \$12,000 in restitution to the City. She was sentenced to 60 months probation and ordered to pay \$721 in fines, fees, and costs. This matter is considered closed.

Columbia County

City of Taylor (Audit Period: 1/1/16 - 12/31/17):

2018 Mayor

The City transferred title on a 2006 Ford Crown Victoria, with an asset listing of \$12,892, to a City employee in lieu of wages for volunteer hours worked, in noncompliance with Ark. Const. art. 12, § 5. An invoice indicating type of work performed or hours worked was not provided, and the value of the vehicle was not reported to the IRS as taxable compensation.

**Status per Prosecuting Attorney:** The PA will send a caution letter to the Mayor advising against this practice in the future. The PA will also advise that appropriate documentation should be completed regarding this transaction. This matter is considered closed.

Matters Referred by Legislative Joint Auditing Committee

Columbia County (continued)

Columbia County (Audit Period: 7/1/17 - 6/30/18):

- 2019 The custodian of the drug buy funds resigned on August 17, 2018. A cash count conducted on drug buy funds on August 21, 2018, revealed unaccounted for cash totaling \$6,191. The former employee maintained that \$4,170 of this amount consisted of payments to confidential informants; however, ALA staff could not verify these payments based on documentation provided.

**Status per Prosecuting Attorney:** *This matter was investigated by the Arkansas State Police. While probable cause could potentially be established, there was insufficient evidence to charge the former employee, or any person, and prove beyond a reasonable doubt that such a person violated a criminal statute, due to incomplete records and the fact that multiple individuals had access to the monies described above. This matter is considered closed unless new information is developed.*

Southern Arkansas University (Audit Period: 7/1/17 - 6/30/18):

- 2019 In July 2018, the University discovered, and ALA staff confirmed, three unauthorized payments from the University's payroll account to unauthorized individuals who submitted direct deposit change forms containing forged signatures of University employees. Gross and net wage amounts of the three payments totaled \$16,084 and \$10,949, respectively. An investigation into these matters is ongoing, and the University has not recovered these funds.

**Status per Prosecuting Attorney:** *University Police investigated this matter and advised that these unauthorized payments resulted from an online hack of a University email account and that the hack likely originated from overseas. This matter is considered closed.*

Dallas County

Fordyce School District (Audit Period: 7/1/18 - 4/30/19):

- 2019 The District paid an employee \$4,748 for personalizing apparel and supplies during the period July 1, 2018 through April 30, 2019, without a Board authorizing resolution, as required by Ark. Code Ann. § 6-24-107.

**Status per Prosecuting Attorney:** *The PA will advise the Superintendent to make sure that, in the future, proper disclosure and Board approval are obtained prior to such expenditures. This matter is considered closed.*



Matters Referred by Legislative Joint Auditing Committee

Ouachita County

Camden Fairview School District (Audit Period: 7/1/17 - 6/30/18):

- 2019 The District discovered, and ALA staff verified, cheerleading fees and fundraising proceeds totaling \$3,005 that were reportedly stolen from the Cheerleading Sponsor's locked vehicle on June 7, 2018. According to the police report, there was no sign of forced entry to the vehicle; therefore, the District requested repayment of the funds. The Cheerleading Sponsor subsequently reimbursed \$3,005 to the District.

**Status per Prosecuting Attorney:** *With all funds accounted for, this matter is considered closed.*

The District discovered unaccounted for cash totaling \$27,542 in the Food Service Fund during the period July 1, 2013 through June 30, 2018. Improper entries were made in the computer system in an apparent attempt to conceal the unaccounted for cash. ALA staff examined the District's calculation of unaccounted for funds on a test basis, and the calculation appeared to be materially accurate. Food Service Manager Rebecca Dorris was custodian of the unaccounted for funds.

**Status per Prosecuting Attorney:** *Dorris' employment was terminated, and she subsequently entered a negotiated plea of guilty to felony theft of property charges on November 8, 2018. Dorris was sentenced to 120 months probation, ordered to pay restitution of \$27,542 to the District, and \$670 in fines, fees, and costs. This matter is considered closed.*

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Ouachita County (Audit Period: 1/1/17 - 12/31/17):

2019 Assessor

Radio advertising totaling \$536 that included recognition of the Assessor's name was purchased from the General Fund, in noncompliance with Ark. Const. art. 12, § 5.

**Status per Prosecuting Attorney:** *The PA will send a letter of caution to the Assessor, advising against this practice in the future. This matter is considered closed.*

Sheriff

The Sheriff's Office made the following purchases in apparent conflict with Ark. Const. art. 12, § 5, and in noncompliance with Ark. Code Ann. § 21-6-307:

- \$1,766 in holiday radio advertising that included recognition of the Sheriff's/Collector's name, \$689 of which was purchased from the Communications Facility and Equipment Fund.
- \$150 in unallowable charges on behalf of the Sheriff and his spouse while attending conferences.

Matters Referred by Legislative Joint Auditing Committee

Ouachita County (Continued)

Ouachita County (Audit Period: 1/1/17 - 12/31/17): (Continued)

The Sheriff's Office made the following purchases, in noncompliance with Ark. Code Ann. § 21-6-307:

- \$976 in office décor purchased from the Communications Facility and Equipment Fund.
- \$385 for Christmas decorations/supplies for a parade float from the Communications Facility and Equipment Fund.

**Status per Prosecuting Attorney:** The PA will send a letter of caution to the Sheriff, advising against these practices in the future. This matter is considered closed.

Union County

City of Calion (Audit Period: 1/1/18 - 12/31/18):

- 2019 The City paid the Treasurer \$1,200 for janitorial services without an authorizing ordinance, as required by Ark. Code Ann. § 14-42-107.

**Status per Prosecuting Attorney:** The PA will send a letter of caution to the City, advising of the necessity of an ordinance establishing such an arrangement. This matter is considered closed.

City of El Dorado (Audit Period: 1/1/17 - 12/31/17):

- 2019 Mayor/Advertising and Promotion Commission Chairman

As reported in the 2014 audit, the Advertising and Promotion Commission provides promoters with advance funds to secure talent for events at the Municipal Auditorium. The Commission entered into a contract with a local promoter, advancing \$20,000, in noncompliance with Ark. Const. art. 12, § 5, which states that no city shall "loan its credit to any corporation, association, institution or individual." Stipulations of the contract required the promoter to repay advance funds within 30 days following the contracted event. Although the event was held on November 22, 2014, the promoter did not repay any of the advance funds until 2016. The City has received \$12,500 as of report date, with a remaining amount due the City of \$7,500. The promoter has been allowed by the City to continue renting the Municipal Auditorium building and portable stage for events. Billings for unpaid rental fees are \$2,917 for the period June 2015 through October 2017.

**Status per Prosecuting Attorney:** The PA will send a letter of caution to the Mayor and City Attorney advising against this practice in the future. The PA will also advise that appropriate action be taken to recover all unpaid rental fees. This matter is considered closed.

Matters Referred by Legislative Joint Auditing Committee

Union County (Continued)

City of Norphlet (Audit Period: 1/1/18 - 12/31/18):

- 2019 The City purchased a flatbed railroad car on July 31, 2018, for \$3,285 to replace a wooden bridge on private property at the request of a citizen. This individual agreed to pay the City \$100 monthly for one-half the cost of the car. The City replaced the bridge in April 2019 but, as of exit date, had received no payments from the citizen. The City appears to have loaned its credit to an individual, and this transaction does not reflect an exchange for fair and equitable consideration, in conflict with Ark. Const. art. 12, § 5, and Op. Att'y Gen. no. 88-52.

**Status per Prosecuting Attorney:** *The PA will send a letter of caution to the Mayor, advising against this practice in the future. The PA will also advise that appropriate action be taken to recover the cost of the railroad car. This matter is considered closed.*

City of Strong (Audit Period: 1/1/16 - 12/31/17):

- 2019 Improper disbursements noted during review of selected expenditures are as follows:

- \$36,201 in expenses and \$516 in vacation leave paid before services were rendered.
- \$5,839 in payments to individuals and businesses without adequate documentation; therefore, the validity of these disbursements could not be determined.
- \$270 in travel-related expenses without a business purpose indicated.
- \$182 in undocumented petty cash reimbursements and \$140 in undocumented cash withdrawals.
- \$150 charge assessed by hotel for smoking in room.
- \$147 spent on a Christmas dinner, in apparent conflict with Ark. Const. art. 12, § 5, as interpreted by Op. Att'y Gen. no. 1991-410.
- \$60 reimbursement for meals without an overnight stay.

Additionally, ALA staff noted \$15,721 in questionable payments to individuals and businesses that were supported by handwritten invoices not signed by the individual receiving the funds. It appears that many of these invoices were actually prepared by the City.

It came to our attention that on December 10, 2018, an individual used City bank account information to process an unauthorized withdrawal totaling \$2,700. An outside accounting firm utilized by the City discovered the unauthorized withdrawal upon reconciliation of the affected bank account on April 23, 2019. Due to not being detected timely, the bank will not reimburse the City's funds.

**Status per Prosecuting Attorney:** *These matters are currently under investigation by law enforcement.*

Matters Referred by Legislative Joint Auditing Committee

Union County (Continued)

South Arkansas Community College (Audit Period: 7/1/17 - 6/30/18):

2019 The College discovered, and ALA staff confirmed, seven fraudulent charges made to College P-card accounts from August to December 2017:

- Four single payments totaling \$295 to various vendors after account information was fraudulently obtained.
- Three payments totaling \$1,118 to a retail vendor after an employee's P-Card was reported stolen from a locked vehicle on December 15, 2017. A police report was filed; however, no arrests have been made.

**Status per Prosecuting Attorney:** After learning of the fraudulent charges, the College immediately notified the credit card company, and all money was credited back to the accounts. The second matter was investigated by the El Dorado Police Department, but no arrest was ever made. These matters are considered closed.

Union County (Audit Period: 1/1/17 - 12/31/17):

2018 County Judge

On October 5, 2017, ALA staff observed a local construction company, owned by the father of the County Judge, acquiring loads of gravel at the County Road Department. During the 2017 audit engagement, ALA staff also determined that gravel tickets were not processed for this company on that date; Road Department personnel could not explain this discrepancy.

**Status per Prosecuting Attorney:** This matter is currently under investigation.

Union County (Audit Period: 1/1/16 - 12/31/16):

2018 County Judge

1. According to a Sheriff's Office incident report, cash totaling approximately \$15,000 and tools valued at \$3,000 were stolen from the Road Department shop during a burglary in September 2016. An interview with the Road Foreman and County Judge revealed that the \$15,000 was from the sale of scrap metal. Two Road Department employees, James Davis and Christopher Green, whose employment was terminated on September 21, 2016 and September 22, 2016, respectively, were arrested. Subsequently, both individuals were charged with and pled guilty to commercial burglary and theft of property. Cash totaling \$9,061 and the tools were recovered from these individuals upon arrest. Based on Sheriff's Office reports and interviews with County personnel, the cash was released to the County Judge. However, this cash was never deposited in a County bank account and could not be physically located. On January 24, 2018, the County Judge assumed responsibility for the unaccounted for funds and reimbursed \$9,061 to the County, leaving \$5,939 unaccounted for.

**Status per Prosecuting Attorney:** This matter is currently under investigation.

Matters Referred by Legislative Joint Auditing Committee

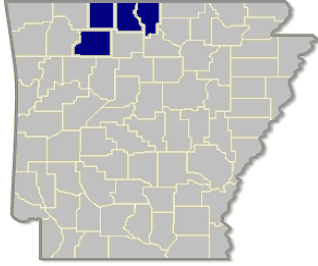
Union County (Continued)

Union County (Audit Period: 1/1/16 - 12/31/16): (Continued)

2. In 2014, the Union County Solid Waste Authority (Authority) approved the purchase of a grinder for \$331,027 to be used for solid waste clean-up. The Authority Board authorized the County Judge to set the terms of an operator contract for solid waste disposal at a rate of \$100 per hour, which could be canceled by the Board with 30 days' notice. According to the County Judge, the County was using a vendor (Operator) that has provided solid waste clean-up for the cities of El Dorado and Camden, as well as Ouachita and Dallas Counties. The Operator bills the entities directly for services, and the County receives \$100 per hour for the usage fee. However, the County Judge did not verify the usage of the machine. During review of the Authority Fund in 2016, ALA staff noted the following issues.

- A rental agreement, contract, or lease purchase agreement with the operator for solid waste disposal was not available.
- The County received \$30,000 in both 2014 and 2015 and \$16,000 in 2016, for a total of \$76,000, from the Operator for use of the grinder. As of October 4, 2017, the County had not received funds for 2017 usage; however, the grinder is still in possession of the Operator.
- No usage records were provided by the Operator with the payments to the County during 2014, 2015, or 2016.
- The grinder was not added to the County's fixed asset records when purchased.
- Authority Board minutes dated April 16, 2014, did not mention a lease purchase agreement; however, the County Judge stated that, once payment has been received in full, the equipment will belong to the Operator. Additionally, Union County Ordinance no. 1383 (April 21, 2016), which dissolved the Board, stated that all cash, equipment, and other assets belonging to the Authority shall be distributed to Union County and the cities of El Dorado, Calion, Felsenthal, Huttig, Junction City, Norphlet, Smackover, and Strong.

**Status per Prosecuting Attorney:** The PA previously sent a letter to the County Judge requesting a written response to the questions noted above. The County Judge provided a written response. The PA will be sending a letter to the County Judge advising that the County retain possession of the grinder for County use, or alternatively, the County should execute a written arrangement with the Operator for purchase of the grinder, obtain an authorizing ordinance for such agreement, and immediately begin collecting payments from the Operator for the balance owed.



# Fourteenth Judicial District

*Baxter, Boone, Marion, and Newton Counties*

Judicial District Population: 103,811  
Circuit Judges: 4

David Ethredge  
Prosecuting Attorney

## Matters Referred by Legislative Joint Auditing Committee

### Baxter County

Cotter School District (*Audit Period: 7/1/17 - 6/30/18*):

- 2019 The District purchased gifts for staff totaling \$1,957 and \$2,929 from general activity funds in 2018 and 2019; respectively, in conflict with Ark. Const. art. 14, § 2, as interpreted in Op. Att'y Gen. no. 91-411.

***Status per Prosecuting Attorney:*** *This finding does not represent a criminal matter. The District has been notified and advised to ensure District procedure complies with Arkansas law that no District funds may be used to purchase staff gifts.*

### Boone County

Alpena School District (*Audit Period: 7/1/17 - 6/30/18*):

- 2019 Review of District activity fund financial records indicated revenue of \$24,330 was not deposited during the period July 1, 2017 through March 13, 2019. The custodian of these funds, Administrative Assistant Stephanie Tanner, was charged with one count of theft of property, a Class C felony, on April 2, 2019, and resigned from District employment on April 29, 2019.

***Status per Prosecuting Attorney:*** *Stephanie Tanner entered a negotiated plea of guilty to felony theft of property; was sentenced to 60 months probation; and was ordered to pay \$2,490 in fines, fees, and costs and \$33,450 in restitution (which included \$9,120 in audit costs). Restitution has been paid in full.*

City of Diamond City (*Audit Period: 1/1/16 - 12/31/17*):

- 2019 The Fourteenth Judicial District Prosecuting Attorney requested our assistance, in conjunction with the Arkansas State Police (ASP), to review the financial records of the Diamond City Community Center (Center). Allegations received by ASP included improper use of Center funds by City of Diamond City (City) Mayor Jan Hudson, as well as other matters. Hudson was charged with one count of theft of property, a class D felony, on May 18, 2018, and resigned her position as City Mayor on June 13, 2018. A separate report regarding this matter will be issued at a later date.

**Matters Referred by Legislative Joint Auditing Committee**

**Boone County (Continued)**

City of Diamond City (Audit Period: 1/1/16 - 12/31/17): (Continued)

In 2017 and 2016, the City paid \$12,000 annually to the Diamond City Community Center, Inc., a 501 (c) 3 nonprofit organization, to fund operations. In 2016, the City paid \$578 to Lady Bass Angler Association (LBAA) for sponsorship fees and \$500 to the winner of the Diamond City Beauty Pageant, in noncompliance with Ark. Const. art. 12, § 5.

In 2017, the City paid \$2,150 to a storage rental business owned by a council member, without an authorizing ordinance, in noncompliance with Ark. Code Ann. § 14-42-107.

**Status per Prosecuting Attorney:** *Jan Hudson is awaiting trial.*

Town of Lead Hill (Audit Period: 1/1/14 - 12/31/16):

2018 In November 2014, the City paid \$8,500 to a business owned by a Council member, who had recently been elected Mayor but had not yet begun his term, for a 2006 truck without an authorizing ordinance, in noncompliance with Ark. Code Ann. § 14-42-107.

In 2014, the City paid \$1,554 for repairs to a 1998 Case 580SL backhoe and sold it for \$4,000, which appears to be significantly below fair market value. Subsequently, the City paid the purchaser \$24,847 and \$50,371 for water and sewer backhoe services as contract labor in 2015 and 2016, respectively. Prior to the sale of the backhoe in 2014, these services were performed by City employees. In 2017, the City repurchased the same backhoe for \$4,000 and sold it for \$12,600 after receiving sealed bids.

**Status per Prosecuting Attorney:** *After investigation, it was determined that charges could not result in a conviction.*

Town of South Lead Hill (Audit Period: 1/1/17 - 12/31/18):

2019 The Town paid \$3,175 to the spouse of a council member for mowing services in 2018, without an authorizing ordinance, in noncompliance with Ark. Code Ann. § 14-42-107.

**Status per Prosecuting Attorney:** *Although not in compliance with Ark. Code Ann. § 14-42-107, there was no criminal action. This issue was addressed with the City to avoid future occurrences.*



Matters Referred by Legislative Joint Auditing Committee

Boone County (Continued)

Town of Valley Springs (Audit Period: 1/1/16 - 12/31/18):

- 2019 The Town conducted business with a Council member in 2018 for road improvements totaling \$4,076 without an authorizing ordinance, as required by Ark. Code Ann. § 14-42-107.

**Status per Prosecuting Attorney:** *Although not in compliance with Ark. Code Ann. § 14-42-107, there was no criminal action. This issue was addressed with the City to avoid future occurrences.*

Marion County

City of Bull Shoals (Audit Period: 1/1/16 - 12/31/17):

- 2019 Mayor

Upon her resignation, former Recorder/Treasurer, Kimberly Williams, compensated herself \$2,262 for accumulated leave balances without adequate supporting documentation and an authorizing City ordinance, as required by Op. Att'y Gen. no. 1996-366. Williams was charged with theft of property, a class D felony, on August 1, 2018.

**Status per Prosecuting Attorney:** *Williams entered a plea of nolo contendere to felony theft of property; was sentenced to 72 months probation; and was ordered to pay \$2,570 in fines, fees, and costs and \$2,320 in restitution.*

City of Flippin (Audit Period: 1/1/16 - 12/31/17):

- 2019 Police Department

ALA staff conducted a review of selected transactions relating to the Police Department for the period January 1, 2015 through December 1, 2017, and issued a separate report dated January 11, 2018. This report disclosed that undocumented/unauthorized disbursements totaling \$63,238 and \$437 were made to or on behalf of the Police Chief and the Deputy/Administrative Assistant, respectively. Additionally, the City paid \$2,880 for unauthorized data usage by the Police Chief, who subsequently reimbursed \$2,400, leaving \$480 due to the City.

Ronald Smith was charged with one count of theft of property, a class B felony, on January 4, 2018.

**Status per Prosecuting Attorney:** *Smith entered a negotiated plea of guilty to felony theft of property; was sentenced to 240 months probation; and was ordered to pay \$2,470 in fines, fees, and costs, \$63,719 in restitution, and \$8,400 in audit costs.*

Matters Referred by Legislative Joint Auditing Committee

Marion County (Continued)

Marion County (Audit Period: 1/1/17 - 12/31/17):

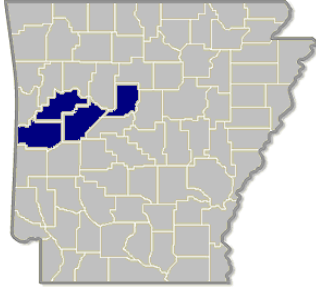
- 2019 Restricted Road Fund monies of \$13,125, \$13,235, and \$3,360 in 2018, 2017, and 2016, respectively, were used to pay legal expenses related to the County Judge's Ethics Commission hearing and subsequent appeal in Circuit Court. The payments are in apparent conflict with Hall v. Thompson, 283 Ark. 26,669 S.W.2d (1984), as interpreted by Op. Atty Gen. nos. 1985-124 and 2011-110.

**Status per Prosecuting Attorney:** *This payment was in violation of law but was approved by the County Attorney. This issue was investigated by this office but, based upon the facts, would not be a prosecutable matter. This matter was addressed by the current County Judge to avoid any future re-occurrences.*

Marion County Library paid \$100,000 of public funds to a nonprofit organization to establish a charitable fund for the benefit of the Library. The agreement establishing the charitable fund states, in part, "Donor irrevocably gives, delivers, transfers and assigns to Arkansas Community Development Foundation (the nonprofit organization) all of its rights, title and interest in and to the assets gifted...." The agreement also stipulates that a minimum balance of \$50,000 be maintained with the nonprofit organization for three years. The agreement appears to conflict with Ark. Const. art. 12, § 5, which states, in part, "No county... shall...obtain or appropriate money for...any corporation, association, or individual."

**Status per Prosecuting Attorney:** *This not a criminal matter. The issue was addressed with the Library Board and County Attorney. This matter was addressed by the current County Judge to avoid any future re-occurrences.*

**Note:** No matters were referred for Newton County.



# Fifteenth Judicial District

*Conway, Logan, Scott, and Yell Counties*

Judicial District Population: 73,934  
Circuit Judges: 3

Tom Tatum, II  
Prosecuting Attorney

## Matters Referred by Legislative Joint Auditing Committee

### Logan County

City of Magazine (*Audit Period: 1/1/18 - 12/31/18*):

- 2019 Two unauthorized withdrawals of \$2,572 and \$2,946 were made on December 24 and 27, 2018, from the City's payroll and general bank accounts, respectively. Entity personnel discovered the unauthorized withdrawals upon reconciliation of the affected bank accounts, and the funds were recovered from the bank.

***Status per Prosecuting Attorney:*** *The PA is not proceeding with charges at this time.*

### Yell County

City of Ola (*Audit Period: 1/1/18 - 12/31/18*):

- 2019 On December 10, 2018, one unauthorized withdrawal totaling \$2,257 was made from the City's bank account. Entity personnel discovered the unauthorized withdrawal upon reconciliation of the affected bank account, and the funds were recovered from the bank.

***Status per Prosecuting Attorney:*** *No charges will be filed. Appropriate action was taken to correct the problem.*

Rover Rural Fire Department (*Audit Period: 1/1/15 - 8/31/17*):

- 2019 ALA staff review of Department financial records and interviews with Department personnel revealed the following:
- \$682 in improper disbursements which consisted of undocumented cash withdrawals by the former Fire Chief (\$331); payment of the former Fire Chief's wife's personal cell phone bill (\$261); and other personal items including cat food, hair spray, laundry detergent, prepaid phone card, and a pot roast (\$90).
  - \$4,117 in undocumented disbursements to various businesses. Since invoices were not available, the propriety of these disbursements could not be determined. However, according to Department personnel based on vendor names and dates of purchases, many of these disbursements appear to be personal purchases.

Matters Referred by Legislative Joint Auditing Committee

Yell County (Continued)

Rover Rural Fire Department (Audit Period: 1/1/15 - 8/31/17): (Continued)

- One bank statement was altered (charge was blacked out) to apparently conceal the aforementioned \$261 payment of the former Fire Chief's wife's personal cell phone bill.
- Fuel purchases appeared to be excessive considering the small number of fire calls the Department responded to during the review period. According to Department personnel, when questioned, the former Fire Chief acknowledged using Department funds to purchase fuel for his personal vehicle. However, he asserted these purchases were justified because he used his personal vehicle for Department business purposes. Fuel purchases totaled \$4,451 during the former Fire Chief's 20 month tenure (average of \$223 per month) while fuel purchases totaled \$1,098 for the 13 months following his resignation (average of \$84 per month). A comparison of the monthly average cost of fuel purchases during the former Fire Chief's tenure to the average monthly cost after he resigned indicated a decrease of \$139 in monthly fuel costs. Although the exact amount of improper fuel purchases could not be determined, based on the decrease of \$139 average fuel purchased per month excessive and possibly misappropriated fuel purchases were \$2,762.
- The Board did not provide adequate fiscal oversight and internal controls over the disbursement process were not adequate.

**Status per Prosecuting Attorney:** The PA met with Department members, who took appropriate corrective action. Criminal charges have been filed against the former Fire Chief.

Yell County (Audit Period: 1/1/17 - 12/31/17):

2019 Sheriff/Tax Collector

Deputy Collector #1 did not submit payment for 2016 personal property taxes by the October 15, 2017, deadline. Although the County published a delinquent taxpayer listing on November 15, 2017, the name of Deputy Collector #1 was omitted, in noncompliance with Ark. Code Ann. § 26-36-203. In addition, Ark. Code Ann. § 26-35-601 requires all county collectors to collect personal property taxes at the time real estate taxes are paid; however, Deputy Collector #1 paid real estate taxes without paying personal property taxes.

Deputy Collector #2 also did not submit payment for 2016 personal property taxes by the October 15, 2017, deadline, nor did the name of Deputy Collector #2 appear in the delinquent taxpayer listing on November 15, 2017, in noncompliance with Ark. Code Ann. § 26-36-203. Additionally, Deputy Collector #2 made installment payments on real estate taxes after the deadline, in conflict with Op. Att'y Gen. nos. 90-040 and 2010-042, and the name of Deputy Collector #2 was omitted from the delinquent taxpayer list published on November 22, 2017.

Matters Referred by Legislative Joint Auditing Committee

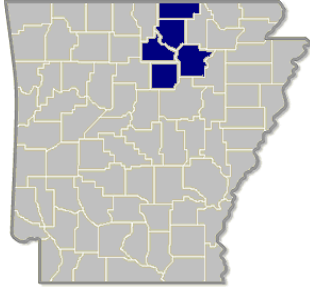
Yell County (Continued)

Yell County (Audit Period: 1/1/17 - 12/31/17): (Continued)

These transactions by both Deputy Collector #1 and #2 conflict with Ark. Code Ann. § 14-14-1202, which states that holding public office is a public trust and individuals holding public office may not use their office or influence for personal benefit. It should also be noted that the Deputy Collectors are related.

***Status per Prosecuting Attorney:*** *Appropriate action was taken by the Sheriff involving delegation/separation of duties. One of the Deputy Collectors is no longer an employee of the Tax Collector's Office.*

**Note:** No matters were referred for Conway and Scott Counties.



## Sixteenth Judicial District

*Cleburne, Fulton, Independence, Izard, and Stone Counties*

Judicial District Population: 101,356  
Circuit Judges: 4

Eric Hance  
Prosecuting Attorney

### Matters Referred by Legislative Joint Auditing Committee

#### Cleburne County

Quitman School District (*Audit Period: 7/1/17 - 6/30/18*):

- 2019 The Superintendent acknowledged that he accidentally submerged a District owned truck in a pond while using it for personal business in June 2018. In addition, a District school bus was used to recover the vehicle from the water, and the truck was subsequently sold for scrap for \$200. The Superintendent donated \$250 to the District in September 2018 as compensation for the loss of the truck.

***Status per Prosecuting Attorney:*** This item was referred in 2019 and it appears the loss occurred in June 2018. If the value of the truck was \$200 to \$250, as indicated in the referral, any criminal offense would be a misdemeanor upon which the statute of limitations would have run out in June 2019. The conduct does not appear to be criminal.

#### Fulton County

Fulton County (*Audit Period: 1/1/18 - 12/31/18*):

- 2019 ALA staff were notified of potential misuse during June 2019 of County Road Department equipment and materials on personal property owned by a County official. This matter was disclosed to the 16th Judicial District Prosecuting Attorney, who indicated an Arkansas State Police investigation had been requested.

***Status per Prosecuting Attorney:*** Former County Judge Jimmy Kendrick was found guilty at trial of felony theft of property and sentenced by the jury to pay a \$10,000 fine and \$440 in fees and costs.

Morrison Volunteer Fire Department (*Audit Period: 1/1/17 - 8/31/18*):

- 2019 Unaccounted For Revenue

Department funds totaling \$602 were used to purchase supplies for a "Fill the Boot" fish fry fundraiser, which was held on July 27, 2019. Voluntary contributions were accepted and placed in a firefighter's boot. According to Department personnel, the boot was emptied several times throughout the night by the Fire Chief. However, no proceeds from this fundraiser were deposited in the Department's bank account.

**Matters Referred by Legislative Joint Auditing Committee**

**Fulton County (Continued)**

Morrison Volunteer Fire Department (*Audit Period: 1/1/17 - 8/31/18*): (Continued)

Improper Disbursements

Review of Department records revealed \$8,152 in improper disbursements as follows:

- \$4,852 in purchases of personal items, including a motorcycle (\$3,600); fireworks (\$403); nonbusiness hotel lodging (\$339); personal meals, snacks, and drinks (\$184); motorcycle parts and accessories (\$170); sunglasses (\$132); and other items (\$24). These purchases appear to have been made by the Fire Chief.
- \$3,000 undocumented cash withdrawal from the bank by the Fire Chief.
- \$300 check made payable to an individual for mowing, which appears to have been altered and cashed by the Fire Chief.

In addition, funds totaling \$1,963 were paid to various businesses without adequate documentation; therefore, the validity of these disbursements could not be determined.

Unaccounted For Equipment

During an inventory of selected equipment items conducted on November 5, 2019, ALA staff could not locate two light bars costing a total of \$1,078. According to Department personnel, one of the light bars, costing \$221, is in the Fire Chief's personal vehicle, and the other light bar, costing \$857, was sold to another volunteer fire department by the Fire Chief. However, it does not appear that any proceeds from this sale were deposited in the Department's bank account.

Inadequate Financial Records and Internal Control Deficiencies

ALA review revealed inadequate financial records and internal control deficiencies as follows:

- Records were not maintained to properly account for fundraising proceeds.
- Invoices were not always retained to support disbursements.
- An equipment listing was not maintained, periodic inventories were not conducted, and equipment was not tagged or otherwise identified as Department property.
- Financial duties were not adequately segregated, and the Department did not implement any compensating controls.
- The Board did not provide adequate fiscal oversight.

Other Matters

Review of Department records and interviews with certain Department personnel revealed other matters as follows:



**Matters Referred by Legislative Joint Auditing Committee**

**Fulton County (Continued)**

Morrison Volunteer Fire Department (Audit Period: 1/1/17 - 8/31/18): (Continued)

- An unusually large amount of propane was purchased in 2019. More specifically, average propane cost increased from \$76 per month in 2018 to \$279 per month in 2019, based on analysis performed by ALA staff. At a Board meeting on February 4, 2019, a Board member alleged that propane was being stolen from the Department's tank. The Board discussed installing a surveillance camera but took no action.
- At a Board meeting on April 2, 2019, the Board agreed to give the Department's lawnmower to the Fire Chief. Although the Department is a nonprofit corporation, it is primarily funded with public monies (sales tax and state aid); as a result, this gift does not appear to be a proper use of public property.
- Volunteer firefighters received \$10 for each call to which they responded until the Board approved raising this amount to \$15 per call in March 2019. This stipend is given to assist firefighters with costs of fuel and other expenses. While reviewing these stipends, Department personnel questioned whether some of the firefighters who received stipends actually responded to the calls. Department personnel reviewed incident reports for the period November 2018 through August 2019 and found several reports that they believe were falsified, resulting in the Fire Chief and three other firefighters receiving stipends totaling \$380 to which they were not entitled. This matter was based on discussions with other responders and dispatchers at the Fulton County Sheriff's Office and were not verified by ALA.

**Status per Prosecuting Attorney:** Fire Chief Joseph Samples, who was dismissed in August 2019, was charged with felony theft of property on August 20, 2019. The PA requested that Arkansas State Police (ASP) investigate other potential crimes involving irregularities in the Department's bank accounts, and ASP is undecided at this time whether additional charges should be filed. The progress of the criminal case has been slowed by the COVID-19 pandemic.

**Independence County**

Cedar Ridge School District (Audit Period: 7/1/16 - 6/30/17):

- 2018 According to information the District provided, the District Board's policy pertaining to grants and special funding was adopted in June 2005 and last revised in June 2011. These grant policies specifically exclude entitlement grants, including all federal and state allocation programs; necessitate Board approval for grants requiring matching funds; and provide that all grant applications be approved by the superintendent.

**Matters Referred by Legislative Joint Auditing Committee**

**Independence County (Continued)**

Cedar Ridge School District (*Audit Period: 7/1/16 - 6/30/17*): (Continued)

The grant policies also (a) provide that an incentive bonus, based on varying percentages of the grant amounts, be paid annually to District personnel responsible for the grant application; (b) maximize the bonus amount at \$15,000; and (c) state the bonus will be paid on grant funds received by the District during the school year, including both new and old grants (i.e., grants newly and previously awarded, respectively). However, the District failed to establish proper internal controls concerning the grant application and incentive payment processes. Without internal controls in place to ensure grant applications contained accurate information, the District may have received grants for which it was not eligible and improperly paid incentives.

- A. District personnel discovered and reported discrepancies in documentation relating to grant applications for funds awarded to or received by the District during the period July 1, 2014 through August 19, 2017. ALA staff reviewed and confirmed some of these documentation discrepancies by reviewing 28 grant applications and supporting documentation, as well as interviewing current and former District personnel, a Superintendent (retired June 2015), and a grant writer (resigned August 2017). Because conflicting statements were given to us, ALA staff were unable to determine who was responsible for documentation deficiencies noted in the grant application packages.

Of the 28 grant applications ALA staff reviewed, 25 applications totaling \$850,550 contained discrepancies, while the remaining 3 applications totaling \$58,516 did not. These deficiencies included the following:

- Signatures of District employees and administrators were routinely placed on grant applications without the knowledge of these individuals.
- Grant awards of \$9,900 were not spent according to grant agreements.
- A letter of support from a District Board member was included with a grant application; however, according to the Board member, he did not issue or sign this letter. Furthermore, he indicated some information contained in the letter was not accurate.
- A letter of support from a “mayor” was included with a grant application; however, the community represented by the letter was not an incorporated municipality and did not have elected officials.
- Volunteer hours and other donated services were pledged by two organizations in grant documents; however, the organizations were inactive or ceased to exist before the grant applications were prepared.

**Matters Referred by Legislative Joint Auditing Committee**

**Independence County (Continued)**

Cedar Ridge School District (*Audit Period: 7/1/16 - 6/30/17*): (Continued)

- Grant applications were written for a District campus that was closed in 1999 and two District campuses that did not exist at the time of the grant application. It should be noted that these grant funds were received as checks, payable to the aforementioned three campuses, and deposited by District personnel.
- Grant applications were written for students to visit a point of interest that does not exist. Other applications did not contain enough information to ascertain the exact point of interest listed.
- Inaccurate information about the District and its surrounding area was included in several grant applications.

The District should establish internal control procedures to ensure grant applications contain accurate information.

- B. While Board policy pertaining to grant awards provided for incentive payments for both new and old grant funds received, the former grant writer's employment contract for the 2015/2016 school year stated that grant incentives would be paid only on new grants; the former grant writer's 2016/2017 contract did not specifically mention grant incentives. However, both contracts did contain a clause stating that Board/personnel policies in effect at the execution of the contract would be considered incorporated as terms of said contract unless changed by mutual consent.

During the period July 1, 2014 through March 28, 2018, the District paid \$35,283 in incentive payments to five employees. Of this amount, \$31,454 was paid to the former grant writer, and \$3,829 was paid to four other employees. ALA review of the incentive payments made from July 1, 2014 through August 19, 2017, to the former grant writer indicated the incentives were calculated by the former grant writer, reviewed by other District personnel, and paid annually in a lump sum. The amounts paid to the former grant writer included the following:

- \$18,619 based on applications that contained documentation discrepancies.
- \$9,082 for grants the District had not yet received at the time the incentive payments were made, in conflict with Board policy. Of this amount, \$4,582 in grant funds had not been received as of report date.
- \$7,311 for old grants, in apparent conflict with the former grant writer's 2015/2016 employment contract.
- A \$100 duplicate payment not found by the District in the payment review process.

Matters Referred by Legislative Joint Auditing Committee

Independence County (Continued)

Cedar Ridge School District (Audit Period: 7/1/16 - 6/30/17): (Continued)

Furthermore, it should be noted that the District has:

- Not yet paid a grant incentive of \$3,000 to the former grant writer for a 21<sup>st</sup> Century Community Learning Centers (CCLC) grant of \$150,000 received in the 2016/2017 school year.
- Received \$33,363 of a \$150,000 21<sup>st</sup> CCLC grant in the 2017/2018 school year for which the former grant writer has not been paid an incentive.

The District should establish internal control procedures to ensure grant incentive payments are made properly. The District also should obtain legal counsel to resolve issues pertaining to grant award incentive payments.

- C. The Arkansas Department of Education (ADE) reviewed selected grant applications submitted by the District. Documentation needed to verify information provided in one grant application was not available. The District elected to rescind another grant application, resulting in ADE requesting the return of unspent grant proceeds of \$87,922. These funds were returned to ADE on January 8, 2018.

In summary, the District did not have internal control procedures in place to ensure grant applications contained accurate information and grant incentive payments were made properly or in accordance with Board policy and the former grant writer's employment contract. As a result, the District may have received grants for which it was not eligible and improperly paid incentives. The information provided above has been referred to the 16<sup>th</sup> Judicial District Prosecuting Attorney, who has requested an Arkansas State Police investigation.

**Status per Prosecuting Attorney:** *The audit report and an Arkansas State Police investigation revealed a very loose grant application and review process that existed through the summer of 2017. The principal grant writer resigned in August 2017. It appears that grant applications were put together in a "cut and paste" manner, leading to outdated and erroneous information being included in many of Cedar Ridge's grant applications. It also appears that signatures of school officials and others were routinely affixed to documents, and it is difficult to determine how often this practice was permitted. The State Police interviews revealed a great deal of conflicting statements; therefore, the PA does not believe a criminal case could be prosecuted beyond a reasonable doubt.*

Matters Referred by Legislative Joint Auditing Committee

Independence County (Continued)

Independence County (Audit Period: 1/1/18 - 12/31/18):

- 2019 On September 17, 2018, a Circuit Clerk employee reported the theft of a bank deposit bag containing receipts totaling \$6,488 to the Independence County Sheriff's Office. The Circuit Clerk was able to obtain replacement checks totaling \$2,145 from various payees. The remaining checks and cash totaling \$4,343 were not recovered and were repaid from the Circuit Clerk Commissioners Fee Fund, which does not appear to be an allowable expense from this fund.

**Status per Prosecuting Attorney:** *The criminal investigation into this matters remains open, with no arrest having been made by law enforcement. The reimbursement of the stolen funds by the Clerk from the Commissioner's Fee Fund may not be an appropriate use of that fund, but the PA is not prepared to say that the conduct is criminal.*

Izard County

Arkansas Game and Fish Commission (Audit Period: 7/1/16 - 6/30/17):

- 2018 The Arkansas Game and Fish Commission (AGFC) notified us of the following theft of state property: Between July 7 and July 14, 2017, a 1973 AM General military dump truck, with an estimated value of \$1,400, was stolen from the Arkansas Game and Fish North Central Regional Office in Calico Rock. Incident and police reports were filed.

**Status per Prosecuting Attorney:** *This matter was investigated by the Izard County Sheriff's Office, but there has been no arrest, and the truck has not been located. The PA will prosecute if law enforcement is able to make a case.*

City of Calico Rock (Audit Period: 1/1/16 - 12/31/17):

- 2019 Mayor

An Airport Commissioner loaned \$32,000 to the Calico Rock Airport Commission on July 11, 2016, to pay for hangar renovations and repairs. The Commission repaid the loan without interest on September 1, 2016, after receiving grant funds awarded for the project. The City did not have an authorizing ordinance allowing the Airport Commissioner to conduct business with the Airport, as required by Ark. Code Ann. § 14-42-107.

**Status per Prosecuting Attorney:** *Although proper procedures were not followed, the PA sees no criminal activity.*

**Matters Referred by Legislative Joint Auditing Committee**

Izard County (continued)

Northcentral Arkansas Education Service Cooperative (*Audit Period: 7/1/17 - 6/30/18*):

- 2019 Cooperative staff discovered inconsistencies in reports and documentation submitted by an employee working in the Home Instruction for Parents of Preschool Youngsters Program (HIPPY). Review of these reports and documentation by Cooperative staff, in conjunction with us, for the period July 1, 2017 through January 31, 2019, as well as interviews with participants assigned to the HIPPY employee revealed unauthorized/undocumented compensation and improper mileage reimbursements.

Unauthorized/Undocumented Compensation

Cooperative staff attempted to contact all participants assigned to the HIPPY employee to inquire about their participation in HIPPY. Additionally, ALA staff compared Personnel Activity Reports (PARs) to participant responses, home visit logs, and other available HIPPY program documentation to determine the accuracy of work hours submitted by this employee. As a result, ALA staff noted the following:

In fiscal year 2019, the HIPPY employee received unauthorized compensation totaling \$2,909. Of 17 participants assigned to the HIPPY employee, 2 confirmed they were participating, 6 responded they were not participating, and 9 did not respond or could not be reached. ALA staff verified 42 hours charged for home visits to families not participating, 27 hours charged for home visits to families that did not respond or could not be reached, and 59 hours charged for home visits that contained documentation discrepancies.

In fiscal year 2018, the HIPPY employee received unauthorized compensation totaling \$1,984. Of 22 participants assigned to the HIPPY employee, 3 confirmed they were participating, 7 responded they were not participating, and 12 did not respond or could not be reached. ALA staff verified 117 hours charged for home visits to families not participating, 157 hours charged for home visits to families that did not respond or could not be reached, and 43 hours charged for home visits that contained documentation discrepancies.

The documentation discrepancies noted above included variances in the number of hours indicated on home visit logs and PARs, missing signatures and signatures on home visit logs that did not match valid signatures on other documentation, unearned personal days, and undocumented work hours for the last month of employment.

ALA staff also reviewed documentation in participant files for all families assigned to this employee and noted, in the files for families that did not participate or did not respond, discrepancies in the completion of applications and forms, missing and duplicate curriculum worksheets, and home visit log signatures that did not match application signatures. As a result of the multiple discrepancies, ALA staff were unable to determine whether additional unauthorized/undocumented compensation occurred.

Matters Referred by Legislative Joint Auditing Committee

Izard County (Continued)

Northcentral Arkansas Education Service Cooperative (Audit Period: 7/1/17 - 6/30/18):  
(Continued)

Improper Mileage Reimbursements

During the review period, the HIPPY employee was paid \$982 in mileage reimbursements that were not supported by available documentation, including TR-1 worksheets submitted by the HIPPY employee, participant inquiries, PARs, and home visit logs. ALA staff also noted missing signatures, signatures that didn't match other documentation, missing entries on visit logs or documentation, and duplicate trips.

ALA staff recommend that the Cooperative implement controls to ensure that documentation to validate program expenditures is maintained. Furthermore, care should be taken in reviewing and approving documentation submitted by HIPPY employees to substantiate hours worked and travel expense reimbursements requested. The Cooperative contacted the Izard County Sheriff's Department on January 24, 2019, and requested an investigation of this matter. The employee resigned January 25, 2019.

**Status per Prosecuting Attorney:** *An investigation has been initiated by the Izard County Sheriffs Office. Once the investigation is complete, it is anticipated that the file will be referred to the PA's Office for prosecution or other action.*

Town of Franklin (Audit Period: 1/1/15 - 12/31/16):

- 2018 The Town purchased three High Mobility Multipurpose Wheeled Vehicles (HMMWVs) for \$2,500 each from the Arkansas Department of Emergency Management Division of Federal Surplus Property in 2015. The Water Operator, who purchased the vehicles on behalf of the Town, sold one vehicle to his father-in-law for \$2,500 the day after the Town purchased it, in violation of terms stipulated by the Federal Surplus Property Agency. The proceeds of this sale were recorded as a donation to the Fire Department. A second vehicle was sold for \$9,000 to an individual on March 6, 2017. Additionally, terms of the purchase restricted the Town from releasing these vehicles to the public at the end of their useful life in their current military configuration. ALA staff were unable to determine if the Town made the necessary adjustments to the vehicles sold to make them eligible for public sale. As of report date, the third vehicle was still in use by the Town.

**Status per Prosecuting Attorney:** *The applicable statute of limitations time deadline for filing a criminal charge had run out at about the same time the matter was referred to the Arkansas State Police.*



Matters Referred by Legislative Joint Auditing Committee

Stone County

Stone County (Audit Period: 1/1/18 - 12/31/18):

- 2019 The County paid \$250 and \$7,108 to an employee and a business owned by this employee, respectively, in 2018 for law enforcement equipment and installation on County vehicles. Although the Quorum Court passed an ordinance allowing the County to do business with the employee, as required by Ark. Code Ann. § 14-14-1202, the ordinance was not passed until April 11, 2019.

**Status per Prosecuting Attorney:** *This conduct does not appear to be criminal.*

County Sheriff

Our review of selected Sheriff's Office expenses from January 1, 2018 through May 1, 2019, revealed the following deficiencies:

Questionable Business Purpose

- \$407 to a hotel for a one-night stay for an employee. The date of the stay coincided with dates of a Sheriff's conference that other employees attended; however, ALA staff were unable to determine if this employee was registered for or attended the conference.
- \$458 for hotel rooms for two employees. The date and location of the stay coincided with the date and location of the high school basketball state tournament finals. An employee informed us that a local school district Superintendent requested the Sheriff's Office provide security for local teams; however, ALA staff confirmed with the Superintendent that no such request was made, and the district's resource officers provided security.

Documentation Discrepancies

- An employee submitted an apparently falsified invoice totaling \$3,132 to the County Clerk to conceal the purchase of an M-24 rifle.
- An employee submitted an apparently altered invoice for payment of a \$460 hotel charge that did not agree with the invoice provided by the vendor; however, the total amount paid to the hotel was correct.

Furthermore, ALA staff noted undocumented purchases of \$134.

**Status per Prosecuting Attorney:** *Matters regarding the County Sheriff are currently being investigated by Arkansas State Police.*



## Seventeenth Judicial District

*Prairie and White Counties*

Judicial District Population: 86,815  
Circuit Judges: 3

Rebecca Reed McCoy  
Prosecuting Attorney

### Matters Referred by Legislative Joint Auditing Committee

#### Prairie County

Arkansas Game and Fish Commission (*Audit Period: 7/1/16 - 6/30/17*):

- 2018 The Arkansas Game and Fish Commission (AGFC) notified us of the following theft of state property: On January 9, 2018, a single axle utility trailer, with a cost of \$1,036, was stolen from a Wildlife Officer's home in Hazen. Incident and police reports were filed.

***Status per Prosecuting Attorney:*** *The suspect is unknown. This matter is not an active criminal investigation.*

City of Hazen (*Audit Period: 1/1/18 - 12/31/18*):

- 2019 On December 13, 2018, one unauthorized withdrawal totaling \$2,740 was made from the City's bank account. Entity personnel discovered the unauthorized withdrawal upon reconciliation of the affected bank account, and funds were recovered from the bank.

***Status per Prosecuting Attorney:*** *The PA encouraged the City to be thorough in reconciling bank statements in an attempt to catch unauthorized transfers promptly and make corrections with the bank. A letter of caution was sent to the County Judge. No further action will be taken.*

#### White County

Bald Knob Water and Sewer Department (*Audit Period: 1/1/15 - 12/31/15*):

- 2019 Our review revealed that cash receipts totaling \$20,862 that were entered in the Department's computer system were not deposited in the Department's bank account during the period January 1, 2015 through December 31, 2015. Separate procedures performed by a CPA Firm revealed \$126,856 in misappropriated funds during the period January 1, 2016 through July 31, 2018. Therefore, unaccounted for funds totaled \$147,718 during the period January 1, 2015 through July 31, 2018.

***Status per Prosecuting Attorney:*** *Linda Jinks pled guilty to one count of felony theft of property on November 6 2019; was sentenced to 72 months in Department of Corrections and 36 months suspended imposition of sentence; and was ordered to pay \$5,920 in audit costs and \$530 in court costs and fees.*

**Bond Trust Fund reimbursed losses totaling \$33,288.**

Matters Referred by Legislative Joint Auditing Committee

White County (Continued)

City of Bradford (Audit Period: 1/1/17 - 12/31/17):

2019 Mayor and Recorder/Treasurer

1. Review of Council minutes and payroll records indicated the City paid a Police Officer \$1,752 for 160 hours of unused sick leave on September 26, 2017, upon leaving employment. Ark. Code Ann. § 14-52-107 permits payment of sick leave to police officers only upon retirement or death. ALA staff recommend the Mayor and Council obtain legal counsel regarding how to resolve the amount overpaid to this officer and comply with Ark. Code Ann. § 14-52-107.
2. The City Council authorized the District Court Clerk to work at an hourly rate of \$9 for 20 hours per week. A review of minutes and payroll records indicated she worked 40 hours per week for four weeks as approved by the Mayor on her timesheet, resulting in unauthorized payments totaling \$720.

Mayor

The City hired the spouse of a Council member as Police Chief without an authorizing ordinance, in apparent conflict with Ark. Code Ann. § 14-42-107.

**Status per Prosecuting Attorney:** *The City should determine how to resolve the sick leave payment, which is a civil matter between the City and the employee. The PA sent a letter of caution to the Mayor regarding compliance with Arkansas law. None of these findings meet the elements of any criminal offense; specifically, there does not appear to be criminal intent.*

City of McRae (Audit Period: 1/1/18 - 12/31/18):

- 2019 According to City officials, the City had a verbal agreement with an individual to sell City scrap metal, with that individual retaining one-half of the proceeds from each sale. Documented scrap metal sales totaled \$4,005, with \$2,266 deposited by the City and \$1,739 potentially retained by the individual, in conflict with Ark. Const. art. 12, § 5 .

**Status per Prosecuting Attorney:** *The PA sent a letter of caution to the Mayor regarding the disposition of city property and recommended that the Mayor work with the City Attorney to obtain restitution of \$1,739. There is not an issue of criminal conduct in this area.*

Matters Referred by Legislative Joint Auditing Committee

White County (Continued)

Town of Garner (Audit Period: 1/1/15 - 12/31/16):

2018 Recorder/Treasurer

The Mayor indicated that the Recorder/Treasurer, who was also the payroll preparer, overpaid herself during the period February 2, 2015 and November 13, 2017, the dates she was appointed to and resigned from office, respectively. While the Town Council approved annual bonuses and a monthly cleaning fee of \$40 for the Recorder/Treasurer, the Town budget did not contain sufficient detail to determine monthly salary amounts. However, based on ALA review of available records, the Recorder/Treasurer overpaid herself a total of \$4,600 as a result of receiving more than one pay check per month.

***Status per Prosecuting Attorney:*** Former Recorder/Treasurer Rena Kizer pled guilty to theft of property, was sentenced to 60 months probation, and was ordered to pay \$1,490 in fines and fees and \$4,433 in restitution.

Town of Letona (Audit Period: 1/1/16 - 12/31/17):

2019 Mayor and Recorder/Treasurer

1. The Town did not comply with Ark. Code Ann. § 14-42-107 as follows:
  - The Town again paid the Mayor and Recorder/Treasurer, who are married, a combined total of \$11,190 and \$14,346 (\$12 per hour) for mowing services, repairs, and miscellaneous work, in 2017 and 2016, respectively. Although the Council passed an ordinance in July 2010 allowing the Town to conduct business with elected officials, the ordinance did not specify the extent of this authority. In response to the previous report, the Council passed a motion in June 2016 authorizing these related party transactions.
  - The Recorder/Treasurer was paid an additional \$1,200 and \$1,000 in 2017 and 2016, respectively, for Fire Department bookkeeping without an authorizing ordinance.
2. ALA staff noted the following areas of noncompliance with Ark. Const. art. 12, § 5:
  - The Town paid \$400 to storm victims in 2017.
  - A cash advance of \$323 was issued to a firefighter for training conference expenses.

In addition, the Fire Department used public funds of \$207 to purchase flyers encouraging citizens to vote for a new county-wide fires sales tax and paid \$459 and \$242 in 2017 and 2016, respectively, for banquets and fire fighter awards, in noncompliance with both the “public purpose” doctrine and Ark. Const. art. 12, § 5.

Matters Referred by Legislative Joint Auditing Committee

White County (Continued)

Town of Letona (Audit Period: 1/1/16 - 12/31/17): (Continued)

**Status per Prosecuting Attorney:** The PA sent a letter of caution to the Mayor regarding compliance with Arkansas law, the Arkansas Constitution, and the public purpose doctrine. None of these findings meet the elements of any criminal offense; specifically, there does not appear to be criminal intent.

Town of West Point (Audit Period: 1/1/17 - 12/31/18):

- 2019 The Town paid \$438 and \$9,207 to council members in 2018 and 2017, respectively, for lawn care, repairs, and miscellaneous labor. Although the Council passed an ordinance in August 2017 allowing the Town to conduct business with elected officials, the ordinance did not specify the extent of this authority, as required by Ark. Code Ann. § 14-42-107. A similar finding was noted in the previous report.

**Status per Prosecuting Attorney:** The PA sent a letter of caution to the Mayor regarding payment to any Council member for services rendered without the appropriate authorizing ordinance. This does not meet the elements of any criminal offense; specifically, there does not appear to be criminal intent in this situation.

White County (Audit Period: 1/1/18 - 12/31/18):

- 2019 The County paid \$1,272 for apparel items and drinking cups for employees, in apparent conflict with Ark. Const. art. 12, § 5, and the “public purpose” doctrine.

**Status per Prosecuting Attorney:** The PA sent a letter of caution to the County Judge regarding strict compliance with Arkansas law. This finding does not meet the elements of any criminal offense; specifically, there does not appear to be criminal intent in these purchases.



## Eighteenth Judicial District-East

Garland County

Judicial District Population: 99,386  
Circuit Judges: 4

Michelle Lawrence  
Prosecuting Attorney

### Matters Referred by Legislative Joint Auditing Committee

#### Garland County

Arkansas Department of Finance and Administration (*Audit Period: 7/1/17 - 6/30/18*):

- 2019 On October 1, 2018, DFA discovered three checks, totaling \$1,933, missing from September deposits at the Hot Springs - Downtown Revenue Office. After being questioned by police, Service Representative Faleasha Young admitted removing and destroying a \$639 check for her personal title and registration and recording a nonexistent customer check to conceal \$1,217 in misappropriated cash. A third check for \$77 remains unaccounted for. Young reimbursed DFA \$639, and her employment was terminated.

A DFA employee from the Hot Springs – Albert Pike Revenue Office informed management that her cash drawer was short \$1,001 on December 3, 2018. Further investigation by DFA revealed that the employee did not follow protocol when accepting cash from a customer. After a failed attempt to have the customer pay the remaining balance, the employee reimbursed the State \$1,001 and retired from her position.

**Status per Prosecuting Attorney:** *Regarding the first matter, Faleasha Young pled guilty to charges of felony theft of property and computer fraud; was sentenced to 60 months probation; and was ordered to pay \$1,940 in fines, fees, and costs and restitution of \$1,217.*

*DFA treated the second matter as a policy violation, and the employee made restitution. No charges will be filed.*

City of Mountain Pine (*Audit Period: 1/1/18 - 12/31/18*):

- 2019 On December 21, 2018, one unauthorized withdrawal totaling \$2,770 was made from the City's bank account. Entity personnel discovered the unauthorized withdrawal upon review of the affected bank account, and the funds were recovered from the bank.

**Status per Prosecuting Attorney:** *This appears to be the result of a fraudulent transaction that was out of the control of the City of Mountain Pine. Subsequently, no action has been taken by the PA.*

**Matters Referred by Legislative Joint Auditing Committee**

**Garland County (Continued)**

Department of Community Correction (*Audit Period: 7/1/16 - 6/30/17*):

2018 The Agency notified us of possible misuse of grant funds. In 2016, the Agency issued Garland County (County) Circuit Court an Accountability Drug Court Grant (Grant) of \$43,000 for the Adult Drug Court Program (Drug Program) operating in Hot Springs. ALA review of grant expenditures during the three fiscal years ending June 30, 2018, indicated the Agency did not have adequate procedures in place to properly monitor the use of grant funds in the Drug Program, resulting in noncompliance with grant guidelines regarding budgeted funds, unallowable use of gift cards, and noncompliance with state travel regulations, as discussed below:

1. Grant guidelines specify that grant funds may only be used as listed in the "approved grant budget request," with a 20% variance. The approved grant budget provided a maximum amount of \$5,160 for conference fees and related travel costs for one conference; however, the Drug Program spent \$25,154, which was \$19,994 more than allowed (a 387.5% variance). As a result, other budgeted amounts for line item costs directly related to Drug Program purposes (e.g., health and residential treatment services for program participants) decreased.
2. Grant funds were used to purchase 335 gift cards with a total value of \$11,959. Although the approved grant budget allowed for gift cards to be purchased and issued to Drug Program participants for transportation assistance and/or incentive awards, ALA staff noted unallowable use of 53 gift cards with a total value of \$4,034, as follows:
  - 32 gift cards valued at \$2,275 were distributed to five Agency employees to be used while attending three conferences.
  - 9 gift cards valued at \$900 were distributed to one employee as reimbursement for \$885 in conference registration fees.
  - 8 gift cards valued at \$509 were not supported by a documented business purpose.
  - 4 gift cards valued at \$350 were distributed to an employee of another agency to be used for meals and incidental expenses while traveling to a conference.
3. Using grant funds, the County paid conference registration fees and related travel costs for four out-of-state conferences and one in-state conference. According to the County's travel policy, any travel costs eligible for reimbursement from state grant funding sources are subject to the travel policy of the grantor (i.e., the Agency). Therefore, when applying state travel regulations, ALA staff noted the following transactions that did not comply:



**Matters Referred by Legislative Joint Auditing Committee**

**Garland County (Continued)**

Department of Community Correction (*Audit Period: 7/1/16 - 6/30/17*): (Continued)

- For all four out-of-state conferences, employees made their own travel arrangements and were reimbursed for lodging and airfare totaling \$12,190 and \$2,982, respectively, from 1 to 10 months prior to actual travel dates. Reimbursement for travel expenses may not occur prior to actual travel, and state travel regulations suggest that agencies make travel arrangements and be billed directly, if possible.
- Review of documentation for these four out-of-state trips disclosed \$4,992 in unauthorized disbursements, as discussed below:
  - \$3,387 for unauthorized lodging costs in excess of the federal allowable rate (\$972); an extra night of lodging (\$101); and car rental charges (\$289) and lodging expenses (\$2,025), both reimbursed 10 months prior to a conference. Of the \$2,314 paid to the employee prior to the conference, the Agency was reimbursed \$1,500 because the employee did not attend the conference, leaving \$814 outstanding.
  - \$895 in registration fees for two employees who did not attend a conference.
  - \$440 in airfare reimbursed to an employee prior to when travel was to occur. This employee did not attend a conference or reimburse the Agency.
  - \$142 for souvenirs, sundries, and spouse meals.
  - \$128 in meals for a spouse, meals in excess of the federal allowable rate, and excess mileage.
- An additional \$997 of grant funds was reimbursed by the County to employees for questionable purchases:
  - \$675 for two hotel rooms for a Friday night stay, although the conference did not start until Sunday.
  - \$282 for a rental car although another employee had rented and was reimbursed for a rental car. ALA staff question the need for two rental cars, especially since on-site transportation was included in the conference registration fee.

Matters Referred by Legislative Joint Auditing Committee

Garland County (Continued)

Department of Community Correction (Audit Period: 7/1/16 - 6/30/17): (Continued)

- \$40 for subway tickets to destinations other than the conference.
- In apparent circumvention of travel regulations for two out-of-state conferences and one in-state conference, gift cards were given to employees to use for potential expenses, rather than requiring the employees to claim travel reimbursement for actual expenses.

In summary, the Agency did not adequately monitor the use of a grant award to the Drug Program for compliance with grant guidelines and state travel regulations. Specific areas of noncompliance included overspending of the approved grant budget for conference fees and related travel by \$19,994 (387.5%); misuse of gift cards; issuance of travel reimbursement funds before travel occurred; duplicate and excess reimbursements for mileage, hotel, transportation, and meal costs; and reimbursement for travel expenses in excess of federal rates. The travel deficiencies resulted in unauthorized disbursements (\$4,992) and questionable travel costs (\$997).

ALA staff noted other deficiencies relating to the disbursement of grant funds by Garland County. These matters were disclosed in the Garland County financial audit for the calendar year ended December 31, 2017.

**Status per Prosecuting Attorney:** *On January 28, 2019, the PA requested that the Special Investigations Unit of the Arkansas State Police assign an investigator to this matter and conduct a full investigation of the allegations. Subsequent to the investigation, the Office of the Prosecutor Coordinator appointed Teresa Howell, 7th Judicial District Prosecuting Attorney, as Special Prosecutor to review the investigation and determine whether charges should be filed.*

**Status per Special Prosecuting Attorney:** *While there is clear evidence that the Garland County Adult Drug Court was mismanaged and misused, there is no evidence of criminal action, and there is insufficient evidence to establish probable cause for an arrest for any crime.*



## Eighteenth Judicial District-West

Montgomery and Polk Counties

Judicial District Population: 28,950  
Circuit Judges: 1

Andy Riner  
Prosecuting Attorney

### Matters Referred by Legislative Joint Auditing Committee

#### Montgomery County

Caddo Hills School District (*Audit Period: 7/1/17 - 6/30/18*):

- 2019 On July 3, 2018, five unauthorized withdrawals totaling \$17,746 were made from the District's bank account. As of the report date, the District had recovered the funds from the bank. The matter is currently being investigated by Montgomery County Sheriff's Office.

***Status per Prosecuting Attorney:*** No suspect has been identified.

Town of Norman (*Audit Period: 1/1/16 - 12/31/17*):

- 2019 The Town conducted business with an employee in 2017 for improvements totaling \$665 without an authorizing ordinance, as required by Ark. Code Ann. § 14-42-107.

***Status per Prosecuting Attorney:*** The Mayor is deceased. The City Council has been notified of these findings and will comply in the future.

#### Polk County

Town of Grannis (*Audit Period: 1/1/18 - 12/31/18*):

- 2019 After being contacted by the recipient of a potentially unauthorized check, the Town identified one unauthorized withdrawal totaling \$2,221 made from the Town's Police Payroll bank account on November 30, 2018. The Town recovered the funds from the bank, closed the account, and opened a new account on December 4, 2018.

***Status per Prosecuting Attorney:*** No suspect has been identified.



## Nineteenth Judicial District-East

*Carroll County*

Judicial District Population: 28,380  
Circuit Judges: 1

Tony Rogers  
Prosecuting Attorney

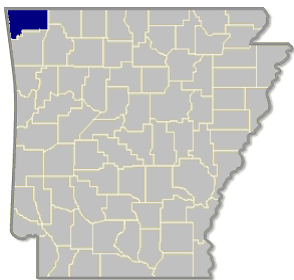
### Matters Referred by Legislative Joint Auditing Committee

#### Carroll County

Eureka Springs School District (*Audit Period: 7/1/17 - 6/30/18*):

- 2019 The District conducted business with a hotel, for facility rental and catering services in the amount of \$1,719, in which a Board member held a direct financial interest. The District's Board of Directors approved conducting business with the hotel; however, the approval was not by written resolution, as required by Ark. Code Ann. § 6-24-105.

***Status per Prosecuting Attorney:*** *This is an ethical issue, not a violation of criminal code. No further action will be taken.*



# Nineteenth Judicial District-West

*Benton County*

Judicial District Population: 279,141  
Circuit Judges: 6

Nathan Smith  
Prosecuting Attorney

## Matters Referred by Legislative Joint Auditing Committee

### Benton County

Centerton Police Department (*Audit Period: 1/1/16 - 5/16/18*):

- 2019
1. The City received a Selective Traffic Enforcement Projects (STEP) grant awarded from ASP in 2016. These funds are to be used for eligible cost reimbursement of officer pay and applicable benefits. According to the STEP grant agreement, grant recipients should adhere to their existing overtime pay policy and not interpret the grant agreement as authority to violate the existing policy. The City policy states that the Police Chief and Captain are considered salaried administrative employees and are not eligible for overtime or compensatory time pay. However, the Police Chief and the Captain received gross overtime compensation of \$7,209 and \$7,397, respectively, during the period November 18, 2016 through April 6, 2018. Of this amount totaling \$14,606, \$14,179 was submitted to and reimbursed by the STEP program. On July 2, 2018, ASP notified the City that all STEP activities were suspended, including the May 2018 reimbursement request, based on preliminary findings of the consultant.
  2. During the period January 1, 2016 through May 16, 2018, the Police Chief and Captain were both authorized to use City credit cards for Department-related purchases. In addition to having the use of City credit cards, the Police Chief and Captain both received reimbursements for purchases made using their personal credit cards. According to City management, there was not a reason for the Police Chief or Captain to use their personal credit cards for Department purposes, other than for travel expenses, or to have items shipped to their personal residences. The purchases of items shipped to personal residences are questionable because, although the items could be used for Department operations, the City did not have a procedure in place to document receipt of the items. We also noted that the Police Chief and Captain occasionally reimbursed the City for nonbusiness items they charged to City credit cards.
    - a. City Credit Cards Transactions

Our review of these credit card charges indicated some purchases were not supported with adequate documentation, and other purchases were questionable because items were shipped to the residences of the Police Chief or Captain; food was purchased without overnight travel or other documented business purpose; clothing purchased was adaptable to general use as ordinary clothing; and gift cards were bought. Undocumented charges totaled \$1,722 and \$1,186 and questionable charges totaled \$11,322 and \$4,828 for the Police Chief and Captain, respectively.

**Matters Referred by Legislative Joint Auditing Committee**

**Benton County (Continued)**

Centerton Police Department (*Audit Period: 1/1/16 - 5/16/18*): (Continued)

b. Police Chief and Captain Personal Credit Card Transactions.

Using a personal credit card, the Police Chief and Captain paid for routine Department operating expenses, including supplies, clothing, gear, postage, radios, radar guns, and other equipment. We questioned why the Police Chief and the Captain used their personal credit card rather than the City credit card they had been assigned. Several purchases, detailed in the chart below, were questionable because items were shipped to the residences of the Police Chief or Captain. We also were unable to determine if the credit card awarded the owner benefits (e.g., cash back or reward points) and who received these benefits. Total reimbursements for charges to personal credit cards totaled \$29,468 and \$2,959 and questionable charges totaled \$11,521 and \$2,192 for the Police Chief and Captain.

3. City purchased four tires costing \$806 that were installed on the Police Chief's personal vehicle. In exchange, according to City management, the Police Chief gave the City four slightly used tires that had been on his vehicle.
4. The City purchased used tires (\$200) and an electric remote target stand (\$300) from the Captain in conflict with Centerton Ordinance no. 2013-03 (February 12, 2013), which requires a Council resolution supporting an employee's financial interest in any contract or service agreement.
5. During the period August 2016 to April 2018, the City purchased items, including ammunition and tactical gear, costing \$9,109 from a vendor that did not charge sales tax and was not registered with the Secretary of State. In addition, it appears that the vendor did not have a business location other than a residence and submitted invoices that were in the same format as those submitted by the Captain for expense reimbursements. The invoices were marked to be held for pick-up, and according to the Finance Director, the Captain picked up these payments.
6. According to City management, the City purchased a gun safe costing \$677 that was delivered to the Department and then moved to the Police Chief's residence. Subsequently, the Police Chief returned the safe, containing 12 of his personal weapons and 2 scopes, to the City.
7. Using funds from the Department Donation Fund, the City paid for two holiday parties, attended by employees and guests, costing \$918 and \$895 and occurring in December 2016 and January 2018, respectively. According to City management and records, donations totaling \$22,530 had been received during this time period, and City management indicated the donations were for Department expenses. Therefore, the holiday parties were paid for in apparent conflict with the "public purpose" doctrine, as discussed in Op. Att'y Gen. no. 91-410.

Matters Referred by Legislative Joint Auditing Committee

Benton County (Continued)

Centerton Police Department (Audit Period: 1/1/16 - 5/16/18): (Continued)

8. After the wrongful arrest of an individual who had posted bail, the City reimbursed \$1,080 to the Police Chief, who had paid the bail bond company this amount with cash without management approval. Subsequently, the Mayor indicated knowledge of this transaction; however, the City did not substantiate if the individual was refunded the bail amount.
9. During equipment observation on November 13, 2018, we noted that a night scope and battery pack costing \$690 were installed on the Police Chief's personal weapon.
10. According to the Mayor, Finance Director, and a Department employee, although the City did not have an official, written uniform allowance policy, Department officers were allowed to purchase up to \$600 of uniform-type items and gear from a vendor supplying public safety officer needs. However, using this vendor, the Police Chief purchased items totaling \$2,478 and \$1,681 in 2016 and 2017, respectively, and the Captain purchased items costing \$794 in 2017. In addition, as disclosed in finding 2.a. above, the Police Chief purchased clothing costing \$1,690. The applicable amounts over \$600 were not reported as income to the appropriate taxing agencies. Furthermore, review of selected City account history reports from this vendor, indicated Department employees were allowed to use the City's account to obtain a discount for items purchased for personal use in conflict with Ark. Code Ann. § 21-8-304.
11. According to an inventory listing prepared by Department personnel in May 2018, the Department had 40,000 rounds of ammunition on hand. In addition, another 7,000 rounds were on hand in the Police Chief's office, including several rounds for weapons that the City did not own.
12. The City did not maintain adequate records to ensure Department purchases of weapons, ammunition, and gear were necessary for Department operations or ensure City purchases were not comingled with personal items of Department employees. Furthermore, the Department did not maintain a perpetual inventory of the use of ammunition. According to City records, ammunition costing \$16,784 was purchased during the period January 1, 2016 through May 4, 2018, and none has been purchased since the Police Chief and Captain were placed on administrative leave.

**Status per Prosecuting Attorney:** A special prosecuting attorney, who was appointed in March 2019, to review the aforementioned matters concluded in a letter dated April 19, 2019, that these matters did not warrant the filing of any criminal charges. The special prosecuting attorney also stated the matter disclosed in number 1 was referred to federal authorities.



Matters Referred by Legislative Joint Auditing Committee

Benton County (Continued)

City of Centerton (Audit Period: 1/1/18 - 12/31/18):

- 2019 On December 7, 2018, one unauthorized withdrawal totaling \$2,282 was made from the City's bank account. Entity personnel discovered the unauthorized withdrawal upon review of the affected bank account, and the funds were recovered from the bank.

**Status per Prosecuting Attorney:** *This withdrawal is the result of a targeted financial fraud by an unknown third party, rather than wrongdoing by a city employee. Since there is insufficient evidence to initiate an investigation, the PA will take no further action.*

City of Gravette (Audit Period: 1/1/17 - 12/31/17):

- 2019 A disbursement of \$1,900 for Christmas gift cards was made in apparent conflict with Ark. Const. art. 12, § 5, as interpreted by Op. Att'y Gen. no. 1991-410.

**Status per Prosecuting Attorney:** *City officials acknowledged their error and assured the PA they have taken steps to rectify this issue in the future by keeping this money separate and transparent. The PA's Office will take no further action.*

City of Sulphur Springs (Audit Period: 1/1/16 - 12/31/18):

- 2019 City Clerk/Administrator Codi Bates, who was hired by the City on July 1, 2017, was responsible for all receipting and depositing duties, including the Water Department, and was the only employee with access to the accounting software systems used by the City. Our review revealed undocumented disbursements, payroll discrepancies, and receipts not deposited totaling \$184,934 for the period July 1, 2017 through March 31, 2019. Of this amount, \$144,464 and \$40,470 were misappropriated from the Water Department and General Fund, respectively.

Undocumented Disbursements

A comparison of checks to invoices revealed that Bates issued unauthorized checks to herself and her spouse totaling \$91,156 and \$8,395, respectively. Bates often handwrote these checks rather than using the electronic check printing feature of the accounting software system and incorrectly coded the checks to existing vendors. Additionally, according to the Mayor, it appears that several of these checks contained his forged signature.

Payroll Discrepancies

A review of Bates' personnel file and salary comparisons, as well as interviews with the Mayor, revealed that Bates paid herself unauthorized salary increases and overpayments totaling \$3,161. Additionally, Bates handwrote hours worked on her time card rather than using the electronic time clock.

Matters Referred by Legislative Joint Auditing Committee

Benton County (Continued)

City of Sulphur Springs (Audit Period: 1/1/16 - 12/31/18): (Continued)

Receipts Not Deposited

Water Department cash receipts totaling \$82,222 were not deposited as follows:

- \$74,022 in water usage fees. Our comparison of the amounts recorded in the accounting software system indicated that \$74,022 more was collected than deposited. Bates appears to have recorded cash receipts in the accounting software system so that customer accounts would not be delinquent.
- \$8,200 in water service connection fees.

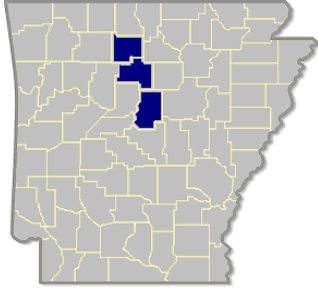
The City terminated Bates' employment on March 29, 2019. Bates and her spouse were charged with felony theft of property and felony forgery, respectively, on June 5, 2019.

**Status per Prosecuting Attorney:** A pre-trial hearing for Codi Bates and her spouse, Tyler Bates, is scheduled for November 24, 2020.

Gentry School District (Audit Period: 7/1/17 - 6/30/18):

2019 The District discovered that activity funds totaling approximately \$1,120 were missing from an Activity Fund account sponsor's classroom on November 12, 2018. A police report was filed on November 13, 2018 and this matter is being investigated by the Gentry Police Department.

**Status per Prosecuting Attorney:** The Gentry Police Department investigated this incident and interviewed multiple people who were either in or near the classroom around the time the money was taken. However, throughout those interviews, no one admitted to taking the cash, and there was not enough evidence recovered to make an arrest of any suspect. No further leads have been uncovered, and the Gentry Police have closed the investigation.



## Twentieth Judicial District

*Faulkner, Searcy, and Van Buren Counties*

Judicial District Population: 150,433  
Circuit Judges: 5

Carol Crews  
Prosecuting Attorney

### Matters Referred by Legislative Joint Auditing Committee

#### Faulkner County

City of Mayflower (Audit Period: 1/1/13 - 12/31/13):

2015 District Court Clerk

District Court cash receipts exceeded cash bank account deposits by \$4,963 for the period January 1, 2012 through August 14, 2014. Sheila Caudle, who resigned as Court Clerk on August 14, 2014, was custodian of these funds. During an interview on February 12, 2015, Caudle indicated the cash shortage resulted from cash refunds being given to individuals who overpaid with checks or money orders. Documented cash refunds totaling \$1,690 were subsequently discovered, leaving \$3,273 unaccounted for.

***Status per Prosecuting Attorney:*** Caudle was charged with felony theft of property, abuse of office, and tampering with physical evidence. A pre-trial hearing is scheduled for December 7, 2020.

City of Vilonia (Audit Period: 1/1/17 - 12/31/17):

2018 Mayor and Recorder/Treasurer

According to City personnel, questionable credit card charges (\$1,206) made in September and October 2016 and related interest (\$54) were noted on a credit card in the custody of Park Director. While this employee stated he was not responsible for these charges, the City did not substantiate this statement and paid the credit card company \$1,206 on January 26, 2017. Based on ALA's internet search, the phone number associated with this vendor is considered a suspicious, unsafe number.

***Status per Prosecuting Attorney:*** The PA requested an investigation by the Faulkner County Sheriff's Office and has yet to receive an investigative file.

Department of Education – Arkansas Educational Television Commission (Audit Period: 7/1/17 - 6/30/18):

- 2019 1. The Agency entered into an agreement with the Public Broadcasting Service (PBS) in March 2018 for the Agency to produce a television program entitled "State of the Art." The Agency subsequently signed another agreement with a vendor to produce and distribute the television program. Both of these agreements were for \$100,000. The Agency did not follow state procurement law regarding the agreement it signed with the vendor.

**Matters Referred by Legislative Joint Auditing Committee**

**Faulkner County (Continued)**

Department of Education – Arkansas Educational Television Commission (*Audit Period: 7/1/17 - 6/30/18*): (Continued)

The Director of the Agency also serves as the Executive Director of the Arkansas Educational Telecommunications Network Foundation (the Foundation). Before the Agency received any payments from PBS or remitted any payments to the vendor, it assigned the rights under these agreements to the Foundation. As a result, any revenue generated in the future from the television program may be redirected to the Foundation.

In April 2018, the Foundation received the first payment of \$40,000 from PBS and remitted it to the vendor. The Agency received a letter in November 2018 from PBS acknowledging and accepting the assignment of the rights of both agreements from the Agency to the Foundation. Per discussions with Agency personnel, the rights were assigned to the Foundation because it was too difficult to adhere to state processes, state processes were too slow, the Agency needed to pay the vendor quickly, and it takes too much time to set up vendors in AASIS.

The use of Agency staff, facilities, equipment, and other resources for these agreements, which were assigned to the Foundation, appears to violate the public purpose doctrine.

2. The Chief Fiscal Officer of the State, under the authority of Ark. Code Ann. § 19-4-901-907 and related sections, issues rules concerning state-owned vehicles and publishes the State of Arkansas Vehicle Use and Management Handbook (Handbook). Each use of any vehicle must be recorded as follows:

- Day and time of use.
- Starting location and destination.
- Beginning and ending odometer mileage.
- Cost and amount of fuel purchased, if any.
- Any problems encountered with the vehicle.

This information must be maintained in the vehicle use log, a written record carried in every vehicle at all times.

The Director of the Agency commuted in a state vehicle from April 2017 through October 2018; however, no vehicle use log was maintained.

The Handbook also requires employees to reimburse the cost of their personal use of state vehicles. Because a vehicle use log was not maintained, ALA staff could not determine an accurate amount of reimbursement due for personal use of the vehicle. However, based on fuel card receipts, appointment calendars, and other documents, the Agency was able to calculate total commuting miles of 6,818 miles for the period September 2017 through July 2018, which would require reimbursement of \$2,864 to the Agency. Records were insufficient to accurately calculate additional reimbursements for the remainder of the period in question.

Matters Referred by Legislative Joint Auditing Committee

Faulkner County (Continued)

Department of Education – Arkansas Educational Television Commission (Audit Period: 7/1/17 - 6/30/18): (Continued)

**Status per Prosecuting Attorney:** *The PA determined that no criminal intent or criminal act can be identified for the alleged violations. Additionally, it appears the Commission has taken remedial measures to rectify any alleged appearance of impropriety.*

Faulkner County (Audit Period: 1/1/17 - 12/31/17):

- 2019 The County Library gave gift cards totaling \$1,050 as prizes in costume contests in apparent conflict with the "public purpose doctrine," as described in Op. Att'y Gen. no. 91-410.

**Status per Prosecuting Attorney:** *The PA determined that no criminal intent or criminal act can be identified for the alleged violations.*

Mount Vernon-Enola School District (Audit Period: 7/1/17 - 6/30/18):

- 2019 On February 5, 2019, a vendor contacted the District about a payment of \$3,960 that had not been received. The District discovered that the check that cleared its bank account was not the original check issued to the vendor. It appears that the payee on the original check, which was issued in December 2018, was changed to an individual's name and the authorized signors names were forged. The bank was contacted and subsequently reimbursed the District for the fraudulent charges. The District also filed a report with the Faulkner County Sheriff's Office and an individual, who was not a District employee, was charged with theft of property.

**Status per Prosecuting Attorney:** *The PA determined that no criminal intent or criminal act could be identified for the alleged violations. Additionally, it appears that the District has taken remedial measures to rectify any alleged appearance of impropriety. The check was altered and forged by an individual not employed by the District, the District immediately made a police report, and the individual was charged with theft of property.*

Town of Twin Groves (Audit Period: 1/1/17 - 12/31/18):

- 2019 The Town paid \$734 for gift cards for employee appreciation and \$223 for sympathy flowers, in apparent conflict with the "public purpose" doctrine and Ark. Const. art. 12, § 5, as interpreted by the Attorney General in Op. Att'y Gen no. 91-410.

**Status per Prosecuting Attorney:** *The PA found no criminal intent and sent the Mayor a letter of caution.*

Matters Referred by Legislative Joint Auditing Committee

Searcy County

City of Marshall (Audit Period: 1/1/16 - 12/31/17):

2019 Mayor

The City paid \$1,093 to a vendor to establish a nonprofit organization, Friends of Marshall, to accept tax-free donations to the City in apparent conflict with Ark. Const. art. 12, § 5, as interpreted by Op. Att'y Gen. no. 1992-099.

**Status per Prosecuting Attorney:** *The PA determined that no criminal intent or criminal act can be identified for the alleged violations. There does not appear to be an appearance of impropriety in the actions taken by any official on behalf of the City and no criminal intent to misappropriate funds from the City.*

City of Marshall (Audit Period: 1/1/17 - 12/31/17):

2019 A disbursement of \$1,900 for Christmas gift cards was made in apparent conflict with Ark. Const. art. 12, § 5, as interpreted by Op. Att'y Gen. no. 1991-410.

**Status per Prosecuting Attorney:** *The PA concluded that no criminal intent or criminal act can be identified for the alleged violations contained in the audit report.*

Van Buren County

Bee Branch Water Association (Audit Period: 1/1/18 - 12/31/18): **[Private audit]**

2019 The former bookkeeper of the Association was issuing disbursements to herself but recording the disbursements as disbursements to specific vendors. The total of disbursements, in 2018, that occurred as a result of this inappropriate method of cash disbursements, amounted to \$35,646.

**Status per Prosecuting Attorney:** *Charges have been filed against the former Bookkeeper for felony theft of property \$25,000 and forgery, as well as misdemeanor charges of tampering with business records.*

Bee Branch Water Association (Audit Period: 1/1/17 - 12/31/17): **[Private audit]**

2018 The former bookkeeper of the Association was issuing disbursements to herself but recording the disbursements as disbursements to specific vendors. The total of disbursements, in 2017, that occurred as a result of this inappropriate method of cash disbursement, amounted to \$56,434.

The Board of Directors, subsequent to learning of the unaccounted for funds due to inappropriate action of the former bookkeeper of the Association, immediately relieved the former bookkeeper of her duties, and has since implemented controls recommended above, to bring the cash disbursement function of the Association to an appropriate level.

**Status per Prosecuting Attorney:** *Charges have been filed against the former Bookkeeper for felony theft of property \$25,000 and forgery, as well as misdemeanor charges of tampering with business records.*

Matters Referred by Legislative Joint Auditing Committee

Van Buren County (Continued)

City of Fairfield Bay (Audit Period: 1/1/17 - 12/31/17):

2019 Mayor

The City paid a total of \$4,432 to a City employee for maintenance of city property without an authorizing ordinance, in noncompliance with Ark. Code Ann. § 14-42-107.

**Status per Prosecuting Attorney:** The PA contacted the Mayor and concluded that there were no intentional violations of Arkansas law. Additionally, the City passed an ordinance authorizing the City to pay the employee for the maintenance work on city property,

Van Buren County (Audit Period: 1/1/18 - 12/31/18):

2019 County Judge

The County paid the following without authorizing ordinances, as required by Ark. Code Ann. § 14-14-1202:

- \$1,086 to a business, in which the Hospital Board of Governors Chair (the Chair) had ownership interest, that was acting as a subcontractor for a company performing emergency repairs to the hospital.
- \$18,749 to 19 employees of a business in which the Chair had ownership interest for emergency repairs and other maintenance to the hospital.

**Status per Prosecuting Attorney:** The PA found no criminal intent on behalf of the County Judge or Chair of the Hospital Board and will be taking no further action.





# Twenty-first Judicial District

Crawford County

Judicial District Population: 63,257  
Circuit Judges: 3

Marc McCune  
Prosecuting Attorney  
Robert Presley (Interim PA)

## Matters Referred by Legislative Joint Auditing Committee

### Crawford County

City of Alma (Audit Period: 1/1/18 - 12/31/18):

- 2019 According to an Arkansas State Police (ASP) investigation and City personnel, a Water Department (Department) employee, whose employment was terminated in October 2017, charged personal purchases totaling \$2,531 to the Department credit card and took seven equipment items valued at \$1,457. The former employee reimbursed the City \$3,988 on November 7, 2017.

**Status per Prosecuting Attorney:** *The PA declined prosecution at the City's request.*

On November 30, 2018, one unauthorized withdrawal totaling \$2,449 was made from the City's bank account. Two additional unauthorized withdrawals totaling \$4,892 were made from the City's bank account on December 14, 2018. Entity personnel discovered the unauthorized withdrawals upon review and reconciliation of the affected bank account, and the funds were recovered from the bank.

**Status per Prosecuting Attorney:** *The PA declined prosecution based on insufficient evidence to proceed with a criminal case.*

City of Dyer (Audit Period: 1/1/18 - 12/31/18):

- 2019 On December 18, 2018, one unauthorized withdrawal totaling \$2,744 was made from the City's bank account. Two additional withdrawals totaling \$5,549 were made from the City's bank account on December 26, 2018. Entity personnel discovered the unauthorized withdrawals upon reconciliation of the affected bank account, and funds were recovered from the bank.

**Status per Prosecuting Attorney:** *The PA declined prosecution based on insufficient evidence to proceed with a criminal case.*

City of Kibler (Audit Period: 1/1/18 - 12/31/18):

- 2019 On January 25, 2019, one unauthorized withdrawal totaling \$2,954 was made from the City's bank account. The unauthorized withdrawal was discovered by the bank, and the funds were recovered.

**Status per Prosecuting Attorney:** *The PA declined prosecution based on insufficient evidence to proceed with a criminal case.*

Matters Referred by Legislative Joint Auditing Committee

Crawford County (Continued)

City of Van Buren (Audit Period: 1/1/17 - 12/31/17):

2018 Mayor

The former City Clerk utilized City funds to purchase fuel totaling \$665 to attend meetings for which she also claimed and received mileage reimbursements of \$2,292 from the Arkansas Municipal League for the period January 1, 2013 to April 29, 2016.

**Status per Prosecuting Attorney:** No evidence was received from the City. The PA declined prosecution based on insufficient evidence.

Dyer Water and Sewer Department (Audit Period: 1/1/18 - 12/31/18):

2019 Analysis of Selected Billings

Customer owns rental property and has numerous accounts with the Department, some of which consist of multiple dwellings on the same meter. ALA staff reviewed water and sewer usage fee charges to Customer pertaining to two of his accounts (Account A and Account B) as follows:

- Account A
  - Sewer fees totaling \$8,392 were charged to this account during the period December 2000 through April 2017. However, this property has never been connected to the Department's sewer system.
  - During an interview with ALA staff on August 29, 2019, Department personnel indicated that this property is inside the City limits and required by ordinance to be on the Department's sewer system. However, according to Department personnel, the Customer has refused to connect to the system.
- Account B
  - Sewer fees totaling \$27,794 were charged to this account, which consists of 15 properties, during the period May 2001 through February 2018. However, none of the properties were connected to the Department's sewer system until 2013. Even then, only 9 of the 15 properties were connected to the system, and the remaining 6 properties are still not connected to it.

During an interview with ALA staff on August 29, 2019, Department personnel acknowledged that some of these properties are not in the city limits and, therefore, not required to be on the City's sewer system. However, Department personnel further indicated that, to avoid sewer charges, these properties must be connected to a separate water line to have a different meter. According to Department personnel, a separate water line is available, but Customer has refused to connect to it.

Matters Referred by Legislative Joint Auditing Committee

Crawford County (Continued)

Dyer Water and Sewer Department (Audit Period: 1/1/18 - 12/31/18): (Continued)

- During the period October 1997 through November 2005, this account contained unknown charges totaling \$16,151. These charges were labeled "Other Two" on the monthly bills.  
During an interview with ALA staff on August 29, 2019, Department personnel indicated they were not employed by the Department at the time these charges were assessed and were unaware of the purpose of these charges.
- The usage amounts in September 2017 through March 2018 were unreasonably high (120,000 to 551,300 gallons per month). Department personnel acknowledged billing errors and credited the account \$12,150 in July 2018 for "metron misread."

Analysis of Receipts/Deposits

ALA staff comparison of receipts to bank account deposits indicated unaccounted for funds totaling \$177. Cash receipts exceeded cash bank deposits by \$157 and \$20 in the Water Revenue account and the Meter Deposit account, respectively, during the period January 1, 2018 through June 30, 2018.

Analysis of Selected Disbursements

ALA staff review of selected disbursements revealed the following improper disbursements totaling \$1,931 during the period January 1 through December 31, 2018:

- \$1,514 in undocumented or inadequately documented petty cash reimbursements.
- \$170 in fuel purchases for personal vehicles instead of mileage reimbursements.
- \$114 for a retirement luncheon.
- \$112 for meals without a business purpose indicated or an overnight stay.
- \$21 in excess reimbursements due to clerical errors.

**Status per Prosecuting Attorney:** *There is insufficient evidence to proceed with a criminal case. The City did not forward any information. The PA declined prosecution at this time.*



# Twenty-second Judicial District

Saline County

Judicial District Population: 122,437  
Circuit Judges: 4

Chris Walton  
Prosecuting Attorney

## Matters Referred by Legislative Joint Auditing Committee

### Saline County

City of Shannon Hills (*Audit Period: 1/1/18 - 12/31/18*):

2019 The City paid the following organizations in apparent violation of the “public purpose” doctrine and Ark. Const. art. 12, § 5, which states, in part, “No...city... shall...obtain or appropriate money for...any corporation, association, institution, or individual...”:

- \$400 to the Bryant PTO-Davis Elementary School.
- \$1,000 to Healing Waters Outreach (HWO) Program. It should be noted that \$615 was generated at the City’s fall festival through a bake sale and raffle ticket sales for items provided by HWO.

***Status per Prosecuting Attorney:*** The PA advised the City that funds may not be used in this manner. No criminal charges are warranted.

Turtle Creek Volunteer Fire Association (*Audit Period: 1/1/13 - 11/6/18*):

2019 ALA staff review revealed altered financial records, including bank statements, and numerous internal control deficiencies, as well as the following improper, undocumented, and questionable disbursements:

- \$327,531 in improper disbursements.
  - \$207,106 in undocumented or inadequately documented payments made to the Bookkeeper; of this undocumented amount, the payee on 131 cancelled checks totaling \$69,797 had been altered to reflect a vendor’s name rather than that of the Bookkeeper.
  - \$66,125 in undocumented payments to and cash withdrawals from the bank by the Fire Chief, as well as undocumented checks issued payable to “cash” and endorsed by the Fire Chief.
  - \$32,578 in undocumented payments to vendors.
  - \$4,050 in undocumented payments to other individuals.
- \$16,099 in undocumented business disbursements.
- \$1,573 in questionable disbursements.

Matters Referred by Legislative Joint Auditing Committee

Saline County (Continued)

Turtle Creek Volunteer Fire Association (Audit Period: 1/1/13 - 11/6/18): (Continued)

Both the Bookkeeper and Fire Chief were dismissed by the Board in 2018.

**Status per Prosecuting Attorney:** *Following an investigation by law enforcement, Jimmy Cooper and Samantha Blair were arrested and charged with the theft of Association funds. Mr. Cooper pled guilty to theft of property on October 24, 2019; was sentenced to 120 months probation; was ordered to pay \$1,940 in fines, costs, and fees and \$60,000 in restitution. Ms. Blair entered nolo contendere pleas to four counts of forgery on October 24, 2019; was sentenced to 120 months probation; and was ordered to pay \$1,940 in fines, costs, and fees and \$263,531 in restitution.*



## Twenty-third Judicial District

Lonoke County

Judicial District Population: 73,309  
Circuit Judges: 3

Chuck Graham  
Prosecuting Attorney

### Matters Referred by Legislative Joint Auditing Committee

#### Lonoke County

City of Austin (Audit Period: 1/1/18 - 12/31/18):

- 2019 The City paid \$842 to a business owned by an employee without an authorizing ordinance, in apparent conflict with Ark. Code Ann. § 14-42-107.

**Status per Prosecuting Attorney:** *The City of Austin should have passed the appropriate ordinance authorizing such payment; however, this is not a criminal matter.*

City of Carlisle (Audit Period: 1/1/17 - 12/31/17):

- 2019 Receipts totaling \$34,794 were not deposited into City bank accounts, including the Water Department, during the period January 1, 2017 through September 10, 2018. Of this amount, the Clerk/Treasurer was custodian of \$33,917, and the Water Clerk, who resigned from employment on September 7, 2018, was custodian of \$877. To explain the discrepancy, the Clerk/Treasurer indicated that certain funds had been incorrectly deposited into Water Department accounts; however, ALA staff found only one receipt that was "incorrectly" deposited into the Water Department.

**Status per Prosecuting Attorney:** *Arkansas State Police are still investigating this matter.*

Lonoke County (Audit Period: 1/1/17 - 12/31/17):

- 2019 County Clerk

ALA staff compared the employment dates within the County's payroll records to employment dates obtained from the Arkansas Public Employee's Retirement System (APERS) and noted numerous differences in service dates. As of report date, the County Clerk was working to correct these differences. According to the County Clerk, County employees were advised to contact APERS regarding the accuracy of their work and salary information; however, not all employees contacted APERS. APERS calculated discrepancies for six employees, resulting in underpayments totaling \$26,390. Of the \$26,390 (County portion of \$17,648, employee contribution of \$5,584, and interest of \$3,158) the County paid to APERS to correct these discrepancies, the County incorrectly paid the employees' portion totaling \$5,584. As of report date, the County had not recovered the employees' portion.

Matters Referred by Legislative Joint Auditing Committee

Lonoke County (Continued)

Lonoke County (Audit Period: 1/1/17 - 12/31/17): (Continued)

**Status per Prosecuting Attorney:** While this was a serious error resulting in a loss to the County's general fund, no criminal violations were found.

Lonoke County (Audit Period: 1/1/16 - 12/31/16):

2017 County Judge and County Clerk

Five County Clerk employees were paid \$8,568 by the Election Commission for their work during elections. Of this amount, \$416 was not documented. The total amount of compensation was also not included on the employees' IRS Form W-2 or 1099.

**Status per Prosecuting Attorney:** W-2 Forms were filled out incorrectly. This remains a potential tax liability on behalf of the individual employee, and no criminal charges should be pursued.

Lonoke School District (Audit Period: 7/1/17 - 6/30/18):

2019 According to District policy, employees contracted for 240 days receive vacation leave of 10 days each year at the beginning of each fiscal year. If an employee does not complete the contract term, the final pay check will be reduced at a rate of 8.33% per month. The District did not adhere to this policy and an employee was overpaid \$764.

In November 2017, the Board approved a \$1,000 bonus for all District employees. However, the District also paid this bonus to three non-employees (2 District resource officers and an employee of a District vendor), which appears to conflict with the "public purpose" doctrine and Ark. Const. art. 14, § 2.

**Status per Prosecuting Attorney:** Regarding overpayment to an employee and bonuses to non-employees, there were no criminal charges to be pursued against the School District in making these payments.

Office of the Prosecuting Attorney, Twenty-Third Judicial District (Audit Period: 1/1/17 - 12/31/17):

2019 The Office contributed \$4,470 to a private retirement account of the Executive Assistant, a part-time employee. According to the Attorney General in Op. Att'y Gen. no. 2000-105, it appears this individual would qualify as either state or county employee as defined in Ark. Code Ann. § 24-4-101(A)(1)(a) and as such would be eligible to participate in the Arkansas Public Employees' Retirement System (APERS), if applicable.

**Status per Attorney General:** It is established procedure with APERS that if an employee is part-time and has worked 80 hours or more consecutively for 90 days, he or she would qualify for retirement benefits. This matter was discussed with the PA, and contributions to the private retirement account were discontinued.



## **APPENDICES**

**Appendix A** – Arkansas Code Annotated § 10-4-419 – Report of Improper Practices

**Appendix B** – Memorandum of Understanding

**Arkansas Code Annotated § 10-4-419  
Reporting of Improper Practices**

**10-4-419. Report of improper or illegal practices.**

(a) (1) If an audit report presented to the Legislative Joint Auditing Committee or the appropriate standing subcommittee of the Legislative Joint Auditing Committee reflects evidence of improper practices of financial administration or inadequacy of fiscal records, the Legislative Auditor shall report the evidence to the appropriate executive official or officials affected thereby and to the governing body of the entity of the state or political subdivision of the state.

(2) If the findings relate to an entity of the state, the Legislative Auditor shall also report the findings to the Chief Fiscal Officer of the State.

(3) If the findings relate to a prosecuting attorney's office, the Legislative Auditor shall also report the findings to the Attorney General for review and appropriate action.

(b) (1) If an audit report presented to the Legislative Joint Auditing Committee or the appropriate standing subcommittee of the Legislative Joint Auditing Committee reflects evidence of apparent unauthorized disbursements or unaccounted-for funds or property by a public official or employee, the Legislative Auditor shall promptly report the transactions in writing to the prosecuting attorney for the county in which the entity of the state or the political subdivision of the state is located, the Governor, the appropriate executive official or officials affected thereby, and the governing body of the entity of the state or political subdivision of the state.

(2) If the findings relate to an entity of the state, the Legislative Auditor shall also report the findings to the Chief Fiscal Officer of the State.

(3) If the findings relate to a prosecuting attorney's office, the Legislative Auditor shall also report the same to the Attorney General for review and appropriate action.

(c) (1) The Legislative Auditor shall notify and cooperate with the appropriate prosecuting attorney on all matters that appear to involve a criminal offense.

(2) Upon request and with the approval of the cochairs of the Legislative Joint Auditing Committee, the Legislative Auditor shall cooperate in any other investigations by the appropriate prosecuting attorney, the Department of Arkansas State Police, or any other state or federal law enforcement agency.

(d) (1) While the Legislative Joint Auditing Committee is not established as an agency to effect through its own direct action the correction of improper practices of financial administration or the inadequacy of fiscal records, the prosecution of defaulting public officials, or the improvement of accounting systems in any entity of the state or political subdivision of the state, it is nevertheless determined that the action or nonaction on the part of the appropriate public officials in respect to the correction of the matters when called to their attention or in respect to the institution of criminal proceedings where proper, has pertinent bearing upon the question of the necessity for future remedial legislation.

(2) It is for this reason that the Legislative Joint Auditing Committee is authorized to inform public officials to the extent provided by law of the findings of the Legislative Auditor in respect to any such matters.

(e) (1) If the Legislative Joint Auditing Committee determines that an entity of the state or a political subdivision of the state has not corrected the deficiencies noted in one (1) or more previous reports, the Legislative Joint Auditing Committee may request the prosecuting attorney of the judicial district in which the entity of the state or the political subdivision of the state is located to take appropriate action to

assure that the records of the entity of the state or the political subdivision of the state are maintained in accordance with law.

**(2)** If the prosecuting attorney fails or refuses to take appropriate action within a reasonable time after receipt of notice from the Legislative Joint Auditing Committee that an entity of the state or a political subdivision of the state is not maintaining its records in substantial compliance with law, the Legislative Joint Auditing Committee may request the Attorney General to take such appropriate action as may be necessary to assure that the records of the entity of the state or political subdivision of the state are maintained in compliance with law.

**(f) (1)** By June 30 of each year, the Attorney General and each prosecuting attorney to whom the Legislative Joint Auditing Committee or the Legislative Auditor has reported a matter under this section shall file with the Legislative Joint Auditing Committee a disposition report on the status of the matters that have not been previously reported as resolved to the Legislative Joint Auditing Committee.

**(2)** A disposition report shall address all matters that have not been previously reported as resolved under subdivision (f)(1) of this section prior to and during the preceding calendar year.

**(3)** A disposition report shall include without limitation:

**(A)** The date the matter was reported to the Attorney General or the prosecuting attorney;

**(B)** The amount of loss or funds unaccounted for in connection with the matter;

**(C)** The status or disposition of the matter; and

**(D)** Other comments pertinent to the investigation or disposition of the matter.

HISTORY: Acts 2005, No. 2201, § 7; 2009, No. 446, § 1; 2015, No. 554, § 20.

## **MEMORANDUM OF UNDERSTANDING**

**WHEREAS**, crime of all types is one of the primary problems in our state, and,

**WHEREAS**, violent crimes involving murders, child rapes, domestic abuse and drug labs, sales and the damage that flows therefrom plague our society, there also exists a class of crimes known as “white collar crimes” which undercut the framework of our way of life to a much greater degree than is commonly recognized; and,

**WHEREAS**, there are three organizations who must work together in order to successfully identify, stop and punish those who would use their positions of public trust to commit theft: the Division of Legislative Audit, the Arkansas State Police and attendant assisting law enforcement agencies, and the Prosecuting Attorneys of the State of Arkansas; and,

**WHEREAS**, heretofore these agencies have interacted on a case by case basis and enjoyed certain successes evidenced by the tens, if not hundreds of thousands of dollars assessed and recovered, in spite of the fact that this interaction has not been formalized, neither has any form of document setting forth general, flexible terms of cooperation providing a basis for reasonable expectations as to how these agencies will deal with those situations previously existed; and,

**WHEREAS**, the Legislative Joint Auditing Committee at its June 9, 2006, meeting correctly identified the need for such an agreement, or Memorandum of Understanding, such as this document, which shall hereinafter be referred to as the “MOU”, representatives of the Division of Legislative Audit and the Prosecution Coordination Commission met, discussed the obvious, threshold issues facing such an agreement, involved the Arkansas State Police and have generated this document which addresses the following considerations which commonly present themselves in the function of an audit and set forth the guidelines to which the signatory agencies will adhere, with the stated understanding that the spirit of this document will control, the recognition that all situations cannot be anticipated, but with the hope that this first written MOU between the three involved agencies will streamline the audit, investigation and prosecution of fraud and theft in the public sector, clarify the appropriate areas of responsibility and provide a basis for cooperation from which the taxpayers, with whose money we deal, will benefit.


MEMORANDUM OF UNDERSTANDING

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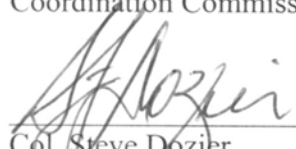
To wit, the following situations are identified as triggering events which will require the Division of Legislative Audit to notify the relevant Elected Prosecutor of suspected criminal activity in order to allow him or her to exercise their Constitutionally conferred discretion and authority:

1. Where the amount of money misappropriated exceeds \$2,500;
2. Where the amount of money misappropriated is in excess of \$500 and there is a probability of continuing loss;
3. Where the possibility of physical harm, witness tampering or the probability of evidence tampering exists; or
4. Whenever an interview wherein an admission or confession to criminal activity is reasonably anticipated (i.e. "an admission seeking interview").


**IT IS SO AGREED** that this Memorandum of Understanding shall provide a flexible, evolving basis for the manner in which the Division of Legislative Audit, in the performance of its inquiries into the accounting functions of the agencies for which they are responsible, the manner in which the Prosecuting Attorneys shall respond to indications of theft and make their determination as to whether and what law enforcement agencies will become involved in order to develop a prosecutable case, should same be possible, and determine the manner with which it should be dealt, consistent with the goals and ideals set forth in this document, setting forth clear areas of responsibility, authority and communication.

  
\_\_\_\_\_  
David Gibbons  
Chairman, Prosecution  
Coordination Commission

10 July 05  
Date

  
\_\_\_\_\_  
Col. Steve Dozier  
Director, Arkansas State Police

07/12/06  
Date

  
\_\_\_\_\_  
Charles Robinson  
Legislative Auditor  
Division of Legislative Audit

7/7/06  
Date

